

Britain and Denmark Pressed on EC Union

Partners, in Edinburgh, Seek Deadline Of Mid-1993 for Ratification of Treaty

By Tom Redburn
International Herald Tribune

EDINBURGH — Desperate to rescue the Maastricht treaty, which they adopted with such high hopes only a year ago, a majority of European Community leaders on Friday sought to corner Denmark and Britain into agreeing to ratify the pact by the middle of 1993.

But both Copenhagen and London, in a day of sparring back and forth, resisted the pressure.

The fresh outbreak of infighting, which threw new complications into the delicate interplay of domestic and Community political forces, was

EC ministers trying to produce a growth package have scant resources to do it with. Page 13.

a poor start to the two-day summit meeting here aimed at restoring momentum to the badly stalled drive for European integration.

Denmark insisted it must gain binding exemptions from most provisions of the proposed Treaty on European Union before asking its voters to overturn their earlier rejection. Meanwhile, Foreign Secretary Douglas Hurd of Britain dismissed as "nonsense" demands that London set a formal deadline for ratification.

At the same time, Spain and the three other poorest members of the Community pressed their demands for a significant increase in EC spending within their countries.

The proposal of the British president is not enough," said Spain's foreign minister, Javier Solana Madariaga.

But Britain responded that Spain, Portugal, Greece and Ireland — supported by Jacques Delors, president of the EC Commission — were seeking funds that "are frankly unaffordable."

Under Britain's latest budget blueprint for the Community, total spending in 1999 would be limited to a maximum 1.25 percent of the

overall EC economic output. That would fall about \$16 billion short of Mr. Delors's original goal.

To sweeten the pot, London offered Thursday night to add more than \$650 million to a special "cohesion" fund for the four poorest members. But Brussels objected that the money would come from raising the Community's contingency fund and making sharp cuts in administrative expenses.

Prime Minister Poul Schluter of Denmark said in an interview with reporters he was still at odds with Community partners over how to frame an agreement legally specific enough to satisfy Denmark while still remaining vague enough not to oblige other countries to reapprove the treaty.

If agreement can be reached, Danish officials said, they are prepared to schedule another referendum in either April or May to allow Danes a second chance to approve the treaty.

British officials, however, worried about giving anti-Maastricht forces a rallying cry, insisted that Prime Minister John Major could not guarantee that the British Parliament would meet any specific schedule. They said only that Mr. Major intended to complete ratification after the Danes and before Parliament closed up shop for the year next October.

Chancellor Helmut Kohl of Germany, an ardent supporter of European integration, led the pressure on Denmark and Britain, the two countries that are most skeptical of efforts to cede power to central EC institutions.

"It is not just friendly banter when the government says it wants ratification in all member states to be completed by mid-year," said Dieter Vogel, Mr. Kohl's chief spokesman, after the opening session of the summit meeting.

France, Spain and Portugal, officials said, joined with Germany and several other nations in arguing that the meeting should set a formal

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Clinton Asks Enforcement Of Ban on Serbian Flights

By Elaine Sciolino
New York Times Service

WASHINGTON — President-elect Bill Clinton called Friday for the enforcement of the United Nations ban on Serbian flights over Bosnia, perhaps with air strikes, breaking his stated refusal to criticize President George Bush's foreign policy and signaling a more activist approach toward the war in Yugoslavia.

The announcement, made during a news conference in Little Rock to introduce new members of his cabinet, followed an intensive review of the Balkan situation by Mr. Clinton's foreign policy advisers. They have argued privately for days that because of the inaction of the Bush administration and mounting Serbian aggression, Mr. Clinton could not wait for Inauguration Day, Jan. 20, to announce his position.

"I have been in favor of enforcement of the no-fly zone for some time," Mr. Clinton said, adding that enforcement would involve an

American "commitment from the air" but no troops on the ground.

Anything the United States could do to "turn up the heat and reduce the carnage," he said, is "just fine." (NATO's leader said the alliance was ready to intervene, if asked, Page 5.)

[The UN Security Council agreed Friday to send 700 peacekeepers and 35 observers to Macedonia to keep the fighting in the former Yugoslavia from spreading to that republic, Agence France-Press reported in New York.]

Mr. Clinton's statement goes further than what he said during a news conference on Tuesday when he expressed sympathy for Mr. Bush's reluctance to commit American forces to a ground war, but added "there may be other things which can be done."

Mr. Clinton declined to be more specific.

During the presidential campaign, Mr. Clinton argued that the United States should take the lead in seeking UN authorization for air strikes to protect the relief effort to Bosnia and should consider whether to push for a lifting of the UN arms embargo that hurts the Bosnians.

Reich Gets Labor Post

President-elect Bill Clinton has named Robert B. Reich, a Harvard lecturer and an architect of his campaign's economic platform, as his labor secretary, and Donna E. Shalala, chancellor at the University of Wisconsin, as secretary of health and human services.

Carol Browner, the senior environmental official in Florida, will head the Environmental Protection Agency, and Laura D'Andrea Tyson, of the University of California, the White House Council of Economic Advisors. Page 2.

But until Friday, both external and internal factors constrained him from outlining his solutions for any of the international crises he will inherit.

Mr. Clinton has said publicly that he will not compete with Mr. Bush's foreign policy during the transition period. He has also been determined to remain focused on the economy, but has acknowledged — with more than a hint of frustration — that he will have to spend more time on foreign affairs than he wants to.

Finally, he has yet to put his foreign policy team in place.



A Somali militiaman watching as U.S. Marines escorted one of the country's principal warlords to talks Friday on a peace accord.

2 Warlords Sign Peace Agreement In Somalia

Rival Groups to Remove Weapons From Capital And End All Hostilities

By William Claiborne
and Barton Gellman
Washington Post Service

MOGADISHU, Somalia — Somalia's two most powerful warlords, bitter rivals since the overthrow of the dictator Mohammed Siad Barre early last year, signed a peace agreement Friday aimed at ending two years of anarchy and bloodshed in one of the world's poorest countries.

Following a U.S.-brokered meeting at the unofficial U.S. mission here, General Mohammed Farrah Aidid and Mohammed Ali Mahdi said they had agreed that members of their warring militias would remove all of their weapons from Mogadishu within 48 hours.

The warlords agreed to cease all hostilities immediately, eliminate demarcation lines in the capital separating the rival factions, and end all negative propaganda about each other.

Clan warfare since Mr. Siad Barre's overthrow has killed thousands of people directly from fighting, and has contributed to the deaths of an estimated 300,000 more from starvation and disease.

The agreement stipulates that all militiamen and their machine-gun-mounted vehicles will withdraw from the city to unspecified assembly points at a time to be determined by a Joint Committee on Reconciliation.

But it was not clear from a communiqué issued by the two warlords after a meeting with the special U.S. envoy, Robert B. Oakley, what the gunmen would do with their weapons other than move them beyond the city limits.

[The unsettled situation in Somalia forced the U.S. military on Friday to cancel plans to escort a relief convoy across the "green line" separating the two warlords' turf, The Associated Press reported from Mogadishu. The Pentagon said that U.S. troops had been fired on in two separate incidents but had suffered no injuries.]

A convoy to Baidoa, about 200 kilometers (125 miles) northwest of the capital, had been scheduled to go Saturday, but was postponed by at least a week.

[The flow of relief supplies by air into Mogadishu, however, appeared to be picking up, with planes landing frequently. An additional 350 U.S. Marines arrived, raising the U.S.-led force to about 2,000. About 35,000 troops are expected, of which 28,000 will be American, with the rest coming from France and about 10 other countries.]

Yeltsin and Foes Warily Seek an Accord

By Fred Hiatt
and Margaret Shapiro
Washington Post Service

MOSCOW — President Boris N. Yeltsin and his conservative adversaries met Friday to seek a resolution to the political and constitutional crisis threatening Russia's young democracy and its economic reforms.

The meetings, including an hour-long night session between Mr. Yeltsin and his chief adversary, the parliamentary speaker Ruslan I. Khasbulatov, produced nothing more concrete than an agreement to continue negotiations on a more substantive level Saturday.

While the talks took place, the conservative Congress of People's Deputies continued to meet in an atmosphere of confusion, anger and recrimination that foretold no easy solution.

But Yeltsin advisers and legislators alike agreed that both sides were seeking a way to

step back from the brink on which they had found themselves Thursday.

"We're much closer to compromise this afternoon than we were yesterday morning," said Sergei B. Stankevich, a Yeltsin adviser, on Friday.

"Both sides have made compromises," said Yevgeni Ambartsumov, chairman of the Foreign Affairs Committee and a critic of Mr. Yeltsin's allegedly too pro-U.S. foreign policy.

"The path toward confrontation is unacceptable to society."

Mr. Stankevich said an acceptable compromise might call for a national referendum, as Mr. Yeltsin demanded Thursday, to end the stalemate between the president and the increasingly assertive Congress, which is dominated by former Communists eager to slow economic change. But the adviser said the referendum might not take place as soon as Mr. Yeltsin wanted, or be as immediately threaten-

American Stocks Ring Out Year on a Quiet High Note

By Kenneth N. Gilpin
New York Times Service

NEW YORK — It has happened quietly, without the flash and drama that made Wall Street what it was in the 1980's. But over the course of the last three months, major stock-price measures have moved to record highs.

The relative lack of attention to the latest bull market may be because of the relatively poor performance of the 30 issues that make up the most widely watched index of stock market performance, the Dow Jones industrial average.

Bears Softly Growl the Blues

Many American stocks have been popular this year. But some analysts say this should be considered a warning that the big gains are past.

Merrell Lynch notes that for the last 13 years, investors have been fortunate: Only in 1990 were returns negative, and then just by 3 percent. The last year in which the market recorded a drop of more than 10 percent was 1977.

With several technical measures showing stocks at historic high valuations, this might be time for wary investors to take their profits and await developments.

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man, chief equity strategist at Salomon Brothers Inc. "But we don't see any argument that says the market is cheap. That makes us cautious. But we were cautious when the S&P 500 index was at 400 back in early October."

On Friday, the S&P index ended at 433.73, just below its record 436.99 set Monday and up 4.0 percent for the year. The Nasdaq index of over-the-counter stocks, generally smaller issues than those in the S&P gauge, was 655.79 late Friday, just below its record 667.12, also set Monday, and up 11.8 percent for the year.

Perhaps the most important reason to explain why the rise in stock prices has gone largely unnoticed is that small investors, not big money managers, are fueling it.

"What has made it difficult for interpreters of this bull market is that it is a different marginal buyer that is moving into stocks," said Leslie Birinyi, who heads Birinyi & Associates, a research concern. "For years and years the public sold stocks. Now they are coming back."

According to data compiled by Mr. Birinyi, See BULLS, Page 15

'People Power' in Japan: Now, the Politicos Want In

By T.R. Reid
Washington Post Service

TOKYO — The country is a highly industrialized democracy called "The United States," with a federal system of government in which a pro-business Republican Party and a pro-liberal Democratic Party fight it out in national elections to elect the commander in chief every four years.

All of which sounds pretty familiar, except that the country is actually Japan, or at least, the country Japan could become if the current

fever for political reformation here really takes root.

With the economy in the pits and the government mired in seemingly endless scandal, all the major political parties and a host of research organizations and citizens' movements are announcing plans these days to revamp Japanese politics, at the same time business leaders here are debating a major restructuring of industry.

The formation on Friday of a faction within the dominant Liberal Democratic Party makes

reform a stronger possibility now than ever, and a new burst of "people power" in politics is also serving as a lever for change.

The drive for political change got a big push last month when the United States, which is still Japan's chief role model, elected a youthful new president who constantly talked of "change." Now the airwaves are full of demands for change, as the Japanese pronounce "change."

Some of the proposals come from professors and analysts who have nothing to lose if the political world turns upside down. But this

time, some powerful politicians, invoking President-elect Bill Clinton, are also calling for sweeping change.

Friday morning, two influential figures in the conservative Liberal Democratic Party — Tsutomu Hata, the finance minister, and Ichiro Ozawa, a man almost everybody expects to be prime minister some day — announced that they had quit the biggest of the Liberal Democrats' several factions and formed a new one.

About 40 Liberal Democrats, mostly young See CHAIN-JEE, Page 2

Kiosk

Fundamentalist Chief Is Arrested in Cairo

CAIRO (AFP) — Egyptian security forces arrested the leader of Muslim fundamentalists in the Cairo neighborhood of Imbaba late Friday, hours after a police officer died of wounds suffered during a sweep of the fundamentalist stronghold, Interior Ministry sources said.

The fundamentalist leader, Gaber Ahmad Mohammed Ali, known by neighborhood residents as Sheikh Gaber, was arrested in a house where he was hiding as the police continued their largest-ever roundup of extremists in the capital for the fourth day.

Eighteen other fundamentalists wanted as terrorists have been arrested since Thursday night, including nine picked up in Imbaba with nine bombs, the sources said.

Earlier Friday, a police officer died after being wounded in a firebombing during the extensive operation to track down the fundamentalists, the police said. The officer, Sobhi Ali Ibrahim, and a colleague were wounded when four men attacked their car in Imbaba on Wednesday.

The police have arrested 593 people since Monday in the operation to flush extremists from the Imbaba neighborhood.



ON ALERT — A woman strolling in Algiers with her child Friday, the 32d anniversary of rioting touched off by President Charles de Gaulle's visit to Algeria during the war for independence. The capital is under curfew.

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The death toll in India climbed over 1,100 as the religious upheaval continued. Page 6.

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Thailand will sharply increase spending on its provinces. Page 17.

Money Report
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Reich to Be Labor Secretary, and 3 Women Get Top Posts

Compiled by Our Staff From Dispatches

LITTLE ROCK, Arkansas — President-elect Bill Clinton announced new top-level appointments on Friday, naming Robert B. Reich of Harvard as his labor secretary and Donna E. Shalala, chancellor at the University of Wisconsin, as secretary of health and human services.

Mr. Clinton also appointed Carol Browner, the senior environmental official in Florida, to direct the Environmental Protection Agency, and Laura D'Andrea Tyson, an economist at the University of California, to head the White House Council of Economic Advisers, the first woman to fill the job.

The president-elect said he chose people who would bring "energy, dynamism and fresh thinking" to his administration.

Mr. Reich, 46, whom Mr. Clinton called one of his "most trusted advisers and closest friends," was a key architect of the Arkansas governor's economic platform during the presidential campaign.

"Bill Clinton is dedicated to ensuring that the American work force is second in none, and I am proud to be part of his team," Mr. Reich said.

He is a prolific author on global economic issues and has argued that a nation's work force is the only essential ingredient for a growing economy that cannot move across national borders and therefore should receive far greater attention than at present.

Mr. Clinton said that Ms. Shalala, 51, had an "astonishing natural leadership ability" which she would apply to overhauling the U.S. health care system.

An Ohio native and former Peace Corps volunteer in Iran, she holds a doctorate in political science from Syracuse University. During the Carter administration, she served as assistant secretary for policy development and research in the Department of Housing and Urban Development. After Mr. Carter's defeat in 1980, she became president of Hunter College in New York City. She became chancellor at Wisconsin in 1988.

Ms. Shalala has served on the board of the Children's Defense Fund since 1980. Hillary Rodham Clinton, Mr. Clinton's wife, has been board chairman of the fund as well and is a close friend.

Ms. Browner, a protégé of Vice President-elect Al

Gore, has been head of the Florida Department of Environmental Regulation since January 1991. She turns 37 on Wednesday. She was previously Mr. Gore's legislative director and counsel to the Senate Committee on Energy and Natural Resources.

Her Florida roots are deep. She was born in Miami and holds bachelor's and law degrees from the University of Florida. Before joining Mr. Gore's staff, she was senior legislative aide to then-Senator Lawton Chiles. Mr. Chiles is now governor of Florida.

Ms. Browner also spent three years as associate director of Citizen Action, a liberal grass-roots lobby that has focused on environment, health and campaign finance issues. She was also a committee counsel for the Florida House of Representatives.

The one surprise in the new batch was the appointment of Professor Tyson, 45. Unlike almost all of her predecessors, she is neither a star of the economics profession nor an expert in overall macroeconomic management.

Her specialty is trade and technology. She has argued that the U.S. government should be a "cautious activist" in fostering high technology industries and

managing their trade with other major industrial countries which, she says, already do the same thing.

The front-runner for the job, Lawrence H. Summers, was vetoed by environmentalists on the staff of Mr. Gore because of a paper he wrote as chief economist for the World Bank arguing that economic development in Third World countries should stress growth rather than environmental preservation. Mr. Summers, who is on leave from Harvard University, has a long history of advising Democratic candidates and served in the Clinton transition team with Mr. Reich.

All four of the nominees are vocal activists in their specialties. And in placing a senior economic adviser in the labor post, Mr. Clinton signaled that that department, which will be called on to carry out many of the president-elect's education and training ideas, would enjoy a much higher profile than in the Reagan-Bush years.

The labor and health and human services jobs are cabinet posts. Mr. Clinton has not yet raised the EPA post to cabinet level, a step favored by Mr. Gore and environmentalists.

Beijing Vows to Work With Clinton

BEIJING (UPI) — Prime Minister Li Peng has pledged that China will work with the incoming administration of President-elect Bill Clinton to improve relations with the United States, official press reported Friday.

Mr. Li made the commitment during a meeting Thursday with a former U.S. secretary of state, Henry A. Kissinger, who was here for talks with Chinese officials. Mr. Kissinger met Friday with Deputy Prime Minister Zhu Rongji.

The Xinhua press agency reported that Mr. Li told Mr. Kissinger of China's willingness "to develop its cooperative relations of equality and mutual benefit with the incoming administration of the United States on the basis of the three Chinese-U.S. joint communiqués."

China Shuts Pro-Democracy Journal

BEIJING (AFP) — China has shut a magazine that published the first calls for greater democracy since the 1989 Tiananmen Square protests, sources said Friday.

Future and Development, an official bimonthly, was ordered to halt all operations last week after carrying an article by a human rights activist, Xu Liangying, a close friend of the exiled astrophysicist and dissident Fang Lizhi.

The article compared China's leaders to Hitler, while an equally hard-hitting commentary by a dissident legal scholar, Yu Haocheng, warned that the Communist Party's power would be threatened unless it democratized. Both activists rejected the argument, advocated by Deng Xiaoping, the senior leader, that economic reform could proceed without democracy. Observers said the ban on the magazine illustrated the party's refusal to consider political liberalizations.

French Socialists Back Fabius Trial

PARIS (Reuters) — The governing Socialist Party said Friday that it wanted its leader, Laurent Fabius, to stand trial over the infection of hemophiliacs in transfusions tainted with the AIDS virus, saying such a trial would give him a chance to clear his name.

The Socialist chief who in the National Assembly, Jean Auroux, said a trial would allow Mr. Fabius to rid himself of accusations that he had failed to act decisively to stop the contamination in 1985, when he was prime minister. It was the first time the Socialists had advocated putting Mr. Fabius on trial.

The Senate voted Thursday to bring two former cabinet members, Georgina Dufloix, who was social affairs minister, and Edmond Hervé, who was secretary of state for health, before a parliamentary high court. But it rejected a rightist proposal to indict Mr. Fabius, now the Socialist Party's first secretary and a possible future presidential candidate.

Oil Pumped From Disabled Tanker

LA CORUNA, Spain (AP) — Salvage workers on Friday began pumping out the millions of gallons of oil remaining in the tanks of the Greek tanker that ran aground last week and caused one of the biggest oil spills in recent years.

An explosion split the vessel, the Aegean Sea, in two after it ran aground in foul weather while trying to enter this northwestern port on Dec. 3 carrying 550,000 barrels of crude oil. Government officials said workers were pumping oil from tanks in ship's stern that sits about 260 meters from the partly submerged bow. Bad weather has hampered attempts to inspect the bow, which is believed to hold most of the crude still on the ship.

The environmental group Greenpeace estimated Friday that 200 kilometers (125 miles) of Spain's northwestern coastline was affected by the spill. The slick is estimated to cover about 145 square kilometers (58 square miles). About 23 kilometers of beach have been stained by the oil.

82 Journalist Slayings Cited for '92

WASHINGTON (AP) — A record 82 journalists have been killed this year worldwide, 27 of them in the republics of former Yugoslavia, a group advocating freedom of expression has reported.

Leonard R. Sussman, senior scholar at Freedom House, said the number was the highest for one year since 1934, when figures were first kept. Mr. Sussman said 53 of the journalists had been murdered in retaliation for their work.

According to Freedom House, a New York-based private organization that promotes free speech and a free press, 12 were slain in Turkey, 10 by Peruvian guerrillas, 1 in the United States and the rest in 18 other countries. The dead were not listed by nationality.

Maghreb Union to Back Libya at UN

RABAT, Morocco (Reuters) — Libya and four other North African states will appeal to the UN Security Council to lift sanctions imposed on Tripoli over its failure to hand over suspects in bomb attacks on Western airliners, an official statement said Friday.

The statement, issued after a ministerial meeting of the Arab Maghreb Union, said the organization would "appeal to the Security Council to revise its resolutions with a view to lifting the embargo and restrictions."

The meeting of ministers from Algeria, Libya, Mauritania, Morocco and Tunisia was called at Tripoli's request following a decision on Wednesday by the Security Council to maintain the sanctions, which include a ban on arms imports and international air traffic to Libya.

For the Record

The Irish Republican Army said Friday that it carried out two bomb attacks in north London this week in which 11 people were wounded. The blasts Wednesday and Thursday damaged stores and a railroad station, but both areas had been evacuated after phone warnings. The victims, including four policemen, were bruised and cut by flying glass. (Reuters)

Canada will withdraw from Cyprus, Ottawa announced Friday, after a 28-year peacekeeping mission on the divided island. It said it would pull out its 575 troops next year because of commitments elsewhere and lack of progress in Greek-Turkish negotiations. The move would leave fewer than 1,000 UN peacekeeping troops on Cyprus. (Reuters)

TRAVEL UPDATE

Medium-haul flights on Air France Tuesday are likely to be trimmed by 50 percent because of a scheduled strike by flight and ground crew over proposed job cuts, management said Friday. The 24-hour strike will affect both Air France and its affiliate, UTA, but long-haul flights should remain on schedule. (AFP)

Hungary will ban heavy-truck traffic on weekends and holidays starting early next year. The Transportation Ministry said the move was designed to ease congestion, to protect the environment and to keep Hungary from becoming a magnet for heavy vehicles that are banned during those periods from roads in Austria and Czechoslovakia. (Reuters)

France has imposed a speed limit of 50 kilometers per hour (30 miles per hour) when visibility is less than 50 meters (165 feet). Spaced white stripes are being painted on French roadways to help drivers realize when visibility is below the minimum. (AP)

CHAIN-JEE: Calls for Change

(Continued from page 1)

and reform-minded, are expected to join the new group.

This could be just one more routine political reshuffle. But the new faction, called Reform Forum 21, could also signal a serious effort to split the dominant party in two and restructure the political system. If, as some expect, Mr. Hata and Mr. Ozawa eventually do create a new party, Japan could be on the brink of serious change.

There has been little change in postwar Japan's political system. There are four significant parties and a few minor ones represented in the Diet, or parliament. But Japan is the world's only remaining example of a one-party democracy.

Partly because the opposition parties are uniformly weak, and partly because voters tend to trust the party that oversaw the postwar economic "miracle," the Liberal Democratic Party has formed every government and elected every prime minister since it was created in 1955.

The Liberal Democratic Party won again in elections this summer for the upper house of the Diet.

Since then, though, the public's anger over the party's latest illegal payoff scandal, coupled with the general sense of discontent brought on by the burst of the "bubble" economy, has sparked strong grass-roots pressure for change.

"There's something completely new going on in Japanese politics," observed the NTV News anchor Yoshika Sakurai. "It's called 'people power.'"

The intensity of "people power" can be seen at the Tokyo offices of a political organization that started late last month by the management consultant Kenichi Ohmae. Every day crowds of housewives show up to volunteer their time answering calls from citizens who want to sign up for the group. In the first two weeks of its existence, the group signed up more than 10,000 members, each paying the equivalent of \$80 in dues.

Mr. Ohmae's is one of the most ambitious of the current reform drives, as reflected in his group's name: the Heisei Refinement. Heisei is the name of the current emperor in Japanese history; refinement was the word used to describe one of the most pervasive changes in Japanese history, when the coun-



General Mohammed Farrah Aidid, left, talking with the other major warlord who was being trying for control of Somalia, Mohammed Ali Mahdi, after signing the peace accord on Friday in the capital.

SOMALIA: Two Warlords Sign Peace Accord Aimed at Ending Anarchy

(Continued from page 1)

ingling to Osman Atm, an ally of General Aidid.

The Marines had found a bowitzer, a recoilless rifle, two heavy machine guns, two anti-aircraft guns and nearly 200,000 rounds of boxed 7.62 mm ammunition, all within a block of the U.S. Embassy gate.

"That apparently is one of the storage areas for weapons belonging in that faction," Colonel Peck said. He said it was not the U.S. purpose to disarm the factions.

"We are not going out in police up all of Mogadishu," he said. "We are trying to ensure the safe delivery of food."

Planners focused on laying the logistical foundation for the entry of follow-on troops. They landed seven planeloads of airfield and cargo handling equipment, along with two passenger planes full of troops to run the facilities.

Unable to find a qualified pilot to bring the huge supply ship Lum-mus into Mogadishu's perilous harbor, the skipper, Harold Vanderploeg, did the piloting himself past the wreckage of an old freighter and over the sandbars. A cement pier cut a deep gash above Lum-mus's waterline, but the ship began to unload its 740 vehicles and more than 400,000 cubic feet (12,000 cubic meters) of dry cargo.

The ruined pier already has two huge, half-packed warehouses full of donated sorghum, wheat, corn, rice and beans. Since the Marines displaced 900 of General Aidid's gunmen there, they have fought a battle against pilferage.

The port will need a lot of work. Heavy equipment operators began bulldozing old wood pallets, broken containers, drums of foul liquid, coils of rotten rope and rusting cable, scrap sheeting and decomposing plastics into a pile.

Disclosures Mar Japan's Reshuffle

By David E. Sanger
New York Times Service

TOKYO — Struggling to quash a scandal that is threatening his tenure in office, Prime Minister Kiichi Miyazawa replaced a number of key cabinet members and top officials of the governing party Friday, but quickly found his effort overshadowed by damaging new revelations.

Mr. Miyazawa's hope in changing the cabinet was partly to try to turn attention away from an influence-peddling scandal, in which a leading trucking company executive funneled millions of dollars to the faction of Prime Minister Noboru Takeshita and intervened on its behalf with the mob. But he picked the wrong day.

Friday morning, as the new cabinet members were being selected, one of Mr. Kanemaru's top political aides was called to testify in the parliament about the influence-peddling scandal, and provided some remarkable insights into the process of paying off Japanese politicians.

The aide, Masahisa Haibara, described how he had to roll a large pushcart into an underground garage two years ago in order to move \$4 million in illegal cash back to Mr. Kanemaru's office.

The money had come from the trucking company executive, but Mr. Haibara refused to name the 60 politicians to whom he reportedly distributed the funds, all facing tough re-election campaigns. He told the committee that he handled so much cash that he was forced to pile up bags of it in a corner of his office because "we could not fit it into an ordinary safe."

Mr. Miyazawa himself has not been implicated in the scandal. But he has done so little to condemn the participants or their actions.

Prime Minister Miyazawa, while eager to form a new cabinet, did not seem interested in bringing in fresh new faces.

In the key position of secretary-general of the party, which has ruled Japan for 35 years, he placed Seiroku Kajiyama, a man who gained some notoriety abroad two years ago when as minister of justice he participated in a police roundup of foreign-born prostitutes and compared them to American blacks who move into white neighborhoods and "ruin the atmosphere." But Mr. Kajiyama is a skilled political operative, and he was given credit for carefully managing the parliamentary testimony in the recent scandals, assuring there were no major new revelations.

The foreign minister, Michio Watanabe, will stay in his post and continue as deputy foreign minister. Yoshiro Hayashi, an ally of Mr. Miyazawa's, will take up the finance portfolio. Mayumi Moriyama, a 65-year-old woman who was named the chief cabinet secretary several years ago, becomes the education minister. The new chief cabinet secretary, Yohei Kono, who also acts as the government's chief spokesman, left the party in the 1970s to protest the Lockheed scandal, but later returned to the fold.

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Hanoi Opens Best Kept-Secret to Tourists

By Philip Shenon
New York Times Service

TAN BIEN, Vietnam — Deep in the steamy, malarial jungles of southwestern Vietnam, an army of teenage laborers too young to remember the Vietnam War are redigging collapsed dirt tunnels and rebuilding the bamboo huts in which Communist insurgents once planned the overthrow of the South Vietnamese government and the humiliation of its U.S. backers.

If there was an enemy outpost that U.S. military commanders most wanted to find and destroy during the war, this was it: the secret headquarters of the South Vietnamese Communist — the Vietcong — and a major terminus of the North Vietnamese supply line known as the Ho Chi Minh Trail.

But while U.S. bombers came close, they failed to destroy what a generation of acronyms-loving Pentagon planners knew best as COSVN. Today, the legendary guerrilla known as the Central Office for South Vietnam is being restored and converted into a government war museum.

In a demonstration of how much the situation has changed in Vietnam since the war, the museum will be dedicated more to commerce than to communism.

The Vietnamese government, which has come to understand the value of hard-currency tourism, intends to charge a visitor's fee and to turn a profit from the museum, which will be a day trip from the old southern capital of Sai-

Hanoi Opens Best Kept-Secret to Tourists

gon, or Ho Chi Minh City, about 120 kilometers (75 miles) southeast.

"The entrance fee has not yet been determined, but whatever it is, we think visitors from all over the world, including America, will want to come see this place," said Captain Nguyen Tan Khanh, a border policeman who is the local military commander. "This will always be a place of victory, a symbol for all Vietnamese to be proud of."

In the minds of many American commanders, the guerrillas were imagined to be a sort of mini-Pentagon, with its own vast bureaucracy that worked in elaborate, heavily fortified war rooms where the guerrilla war in the south was planned in collaboration with the North Vietnamese Army.

If the restored structures look anything like the originals, the base was only a few small, open-air huts with packed-dirt floors that were connected to one another by several hundred meters of cramped underground tunnels. The tunnels were made narrow to prevent big-framed American soldiers from squeezing through.

"The tunnels were meant to protect our leaders from the bomb blasts," Captain Khanh said. "The Americans did try to find this place." He pointed to a weed-covered fish pond, perhaps eight meters wide and a stone's throw from several huts, that was created from the crater of a U.S. bomb dropped here in the late 1960s.

One hut served as the Vietcong's central command room and it was said to have been

Winds and Rain Hinder Transport In New York City

The Associated Press

NEW YORK — Fierce winds that propelled heavy rain brought New York City's transportation network to near-collapse on Friday.

Flooding and power problems virtually shut down the subway system for part of the day, as well as commuter trains running beneath the Hudson River from New Jersey, and delayed service in other suburbs.

Wind-blown debris closed some bridges, and high water shut down parts of major expressways along the East and Hudson Rivers. "We literally had scuba divers taking people out of their cars on the FDR Drive," said a spokesman for the city's transportation department.

LaGuardia Airport shut down amid winds gusting to 77 miles per hour (124 kilometers per hour). Regional airports, including facilities in Newark, Philadelphia and Boston, had delays and canceled flights. That affected connections with airports across the nation.

Governor Mario M. Cuomo of New York declared an emergency.

TRANSITION / BREAKING THE DEADLOCK

Clinton Economic Squad: Policy Movers Rather Than Shapers

POLITICAL NOTES

Clinton Wants to Know More About Iraq Loan

WASHINGTON — President-elect Bill Clinton said that despite a Bush administration investigation that found no criminal wrongdoing in a bank fraud case involving loans to Iraq, he still believed that there was more to be discovered about what happened.

Mr. Clinton said that after he took office he would consult with his attorney general to decide whether to ask the courts to name an independent prosecutor to examine allegations that Bush administration officials covered up efforts to help Iraq build up its military in the years before the invasion of Kuwait.

Asked at a news conference in Little Rock, Arkansas, about the Bush administration's decision not to seek an independent prosecutor in the case, Mr. Clinton replied: "I certainly think we need to know more about it than we now know. What I intend to do is to appoint an attorney general and get a recommendation on it."

The Clinton comments came a day after a special counsel appointed by the Justice Department concluded there was no criminal wrongdoing. The special counsel, Frederick E. Lacey, a retired federal judge, scornfully dismissed accusations by critics in Congress and elsewhere that officials may have stifled criminal investigations of loans made to Iraq by the Atlanta branch of an Italian bank, Banca Nazionale del Lavoro.

But rather than lay to rest the issue of whether Bush administration officials engaged in wrongdoing in the case, Mr. Lacey's report appears to have spurred fresh suspicions.

Attorney General William P. Barr, who is opposed to the independent counsel system, rejected another call for an outside inquiry, this one from Republicans on the Senate Judiciary Committee who wanted a court-appointed prosecutor to investigate Lawrence E. Walsh, the Iran-contra independent counsel. (NYT)

After Bentsen, the Deluge? Texans Worry

WASHINGTON — The last time a Democratic U.S. senator from Texas resigned in mid-term, the result for Democrats was "an absolutely unmitigated disaster," recalled the state party chairman, Robert Slagle.

That was in 1961, when Lyndon B. Johnson left the Senate before long ruled to become vice president, touching off fratricidal warfare in his home state party and leading to the election of a Republican, John G. Tower, who then held the seat for more than 20 years.

Democrats hope the party will be more unified in the competition to replace Senator Lloyd Bentsen, whom Mr. Clinton named as Treasury secretary. That belief was expressed both by Mr. Bentsen and by Mr. Clinton, who in announcing the selection acknowledged that he had weighed the party's concerns in Texas but had still found Mr. Bentsen "the best choice for the post."

Meanwhile, however, Republicans consider the Bentsen nomination a double-barreled boon. Not only does it give them a chance to take over a Democratic Senate seat in the special election expected to be held next spring, but the veteran senator's departure also means that the Democrats will be without their top vote-getter in the 1994 elections. (L47)

Quote/Unquote:

Kevin Phillips, Republican political analyst, on Mr. Clinton's economic team: "Clinton is having it both ways ideologically. This is a broadly acceptable group." (WP)

Away From Politics

• The marketing of a hemophilia drug made in the laboratory instead of being extracted from human blood has been approved by the Food and Drug Administration, its manufacturer, Baxter Healthcare Corp. of Glendale, California, announced.

• Overwhelming evidence that industrial pollutants are responsible for the hole in Earth's protective ozone layer above Antarctica has been provided by a National Aeronautics and Space Administration satellite, scientists said.

• A Catholic priest was sentenced to six months in jail for violating a Cambridge, Massachusetts, court order barring blockades of abortion clinics.

• Findings in an investigation of Woody Allen may be submitted for review soon to a Connecticut state prosecutor, the authorities said. The state police are investigating charges that Mr. Allen molested his adopted 7-year-old daughter.

• Seven million workers would be subject to on-the-job breath tests for alcohol under proposed Transportation Department regulations that would also expand existing drug tests to include mass transit workers.

• Los Angeles teachers voted overwhelmingly to reject a contract that contained a 12 percent pay cut and to go on strike Feb. 22, the union announced. Los Angeles is the nation's second largest school district. (AP, UPI, NYT)

AMERICAN TOPICS

Taking the Trauma Out of Report Cards

Despite changes in educational methods, report cards are much the same as ever. Educators see them as necessary evils. Increasingly, though, some schools are trying new ways of communicating with parents that can enhance learning.

In Attleboro, Massachusetts, report cards now include a warning to parents not to let their frustration over grades turn into violence. The New York Times

reports. A school in Manhattan, Kansas, has replaced report cards with parent-pupil-teacher conferences.

Joseph B. Rappa, Attleboro's superintendent of schools, says reports cards should be "more an ongoing process of assessment and communication and less like static, high-risk quarterly reports."

Attleboro is experimenting with new report cards that, along with traditional grades, compare pupil against districtwide standards and evaluate 10 different categories of learning attitudes, from participating in discussions to degree of self-expectation.

The most controversial part of the new card is a warning label, inspired by those on cigarettes packs: "Under no circumstances

By David E. Rosenbaum
New York Times Service

WASHINGTON — President-elect Bill Clinton chose his economic team less to develop policy than to enact it.

Like few others in public life, Senator Lloyd Bentsen, Democrat of Texas, and Representative Leon E. Panetta, Democrat of California, have mastered tax and budget questions. The high regard in which they are held by their peers in Congress should prove invaluable to Mr. Clinton, who appears determined to break the deadlock between the White House and Congress.

Their intelligence and political skill aside, neither Mr. Bentsen nor Mr. Panetta has concentrated on developing views

about preparing for the economy of the 21st century.

Similarly, Robert E. Rubin, the investment banker who is to become the chief economics coordinator inside the White

NEWS ANALYSIS

House, is said to be a smart and efficient manager, but is not known as someone who offers new ideas about the economy.

Mr. Clinton apparently felt he did not need philosophers right away, but sought the special talent of two accomplished politicians and a highly successful Wall Street investor to win approval of the painful measures necessary to lower the budget deficit.

The president-elect has already formu-

lated a detailed plan involving higher taxes on the wealthy, a tax cut for the middle class, an investment tax credit for business and new spending on public works projects. He intends to push this package through Congress in his first 100 days in office. That does not leave much room for a while for further policy development.

Mr. Clinton almost said as much. He chose Mr. Bentsen to be Treasury secretary, he explained, because of the senator's "stature, dignity and respect." He said he had picked Mr. Panetta to be budget director to win "swift and effective implementation of our economic plan."

By selecting them for the two top economic jobs, and by naming Mr. Rubin — along with Alice M. Rivlin, former director of the Congressional Budget Office, and

Roger Altman, a New York investment banker, to other important positions — Mr. Clinton turned to the center of the economic and political spectrum. Mrs. Rivlin is to be Mr. Panetta's deputy at the White House, and Mr. Altman is to be deputy Treasury secretary.

The choice of these centrists could be important at a time when economists and politicians on the left and the right are asserting that the budget deficit is of secondary importance, and when the number at the center willing to advocate the bitter medicine needed to lower the deficit seems to be shrinking.

The new lineup of economic advisers may dispel the notion held in some circles in Washington and on Wall Street that Mr.

Clinton is not completely committed to reducing the deficit.

But his announcement will do little to reassure critics who hoped Mr. Clinton would look beyond Washington and Wall Street for his economic advice.

Mr. Bentsen has such stature as his party's vice-presidential nominee in 1988 and as the chairman of the Senate Finance Committee that he is almost certain to restore to the Treasury the influence the department had when John B. Connally was secretary in the Nixon administration and when James A. Baker 3d held the post in Ronald Reagan's second term.

Mr. Clinton made it clear at his news conference that Mr. Bentsen would be his chief lieutenant on economic matters.

Recession and Fear Chip at America's Immigrant 'Mosaic'

By Deborah Sontag
New York Times Service

NEW YORK — Across America, immigrants say they are feeling the brunt of a growing and complex hostility, the same kind of antagonism that has cropped up periodically in U.S. history.

As their numbers increase sharply and the recession lingers, immigrants find themselves the target of a mix of social anxieties: economic tension, free-floating anger seeking an outlet, and the volatile ethnic discord plaguing many cities. Because most new immigrants are not white, there are racial overtones to the friction.

Even in New York, which prides itself as a haven for immigrants, the "gorgeous mosaic" of diverse populations, as Mayor David N. Dinkins calls it, has its chips. Some New Yorkers, particularly those down on their luck, seem to resent the presence of so many immigrants, as if the "American dream" were in danger of becoming the exclusive province of newcomers.

"Unfortunately, immigrant-bashing is no longer an unpopular activity," said Dennis DeLeon, the city's human rights commissioner. "I sense that immigrants are being scapegoated for a lot of our problems. A certain kind of xenophobic bigotry has come out of the closet."

Most advocates for immigrants stress, however, that the United States remains markedly tolerant compared with those West European nations now grappling with surging hostility and violence toward foreigners. While they acknowledge that the historically ex-



A Haitian refugee taking stock of the world of Miami Beach after his rescue by the U.S. Coast Guard. He and 116 of his countrymen were stranded in a boat that ran aground on the voyage to Florida.

plusive mix of record numbers of immigrants and a weak economy has generated frictions, immigration experts do not anticipate a return to the vehement nationalism that followed World War I, or the overt hatred of the 1890s.

Most of the present antagonism is expressed in words, not violent acts, and most of the words are not

reported to the authorities, immigrants and their advocates say. Rosa Perles, an immigrant from Mexico who sells flowers at an intersection in the Bronx, said drivers routinely spit at her and tell her to return to her country. Sarah Benyamino, a Russian refugee, said the antagonism she encountered while waiting in line at a bank in Queens recently was typical.

"I was staying in the line and we had some brief discussion about the candidate who became president," said Ms. Benyamino, who runs the Russian Educational Bilingual and Cultural Association.

"The lady who was standing behind me said, 'You better shut up because you came to this country and everything was given you for free.' I said: 'Oh, yeah? I'm working very hard from dawn to dawn. Could you point me out where I could get all this free lunch?'"

It is difficult to quantify anti-immigrant sentiment on New York City police statistics on his complaints do not have a separate category for bias against immigrants. The line between xenophobia and

ethnic or racial hatred is a blurry one. Further, most immigrants, and particularly illegal immigrants, do not make official complaints. For example, M. K. Srinivasan, New York bureau chief for The Indian-American Magazine, told of a Sikh friend who said he was followed off a New York City bus recently by teenagers who pulled off his turban and set it on fire. But he did not call the police because he was new to the country from India and feared that they would be unresponsive.

Many advocates for immigrants believe that resentment toward immigrants built gradually in the late 1980s as the economy began to falter and as immigration soared.

This year as many as 1 million new refugees and immigrants will enter the United States. If patterns from the 1980s hold, about 15 percent will settle in the New York

metropolitan area. Nationally, the majority of them come from Mexico and Asian countries; in New York, the majority hail from the Caribbean and Latin America.

"It is not a coincidence that as the immigrant pool has darkened, hostility has grown," said Rolando T. Acosta, New York City's first deputy commissioner of human rights.

Across the country, there are a few extreme examples of anti-immigrant hostility. In Houston, two skinheads stomped a Vietnamese boy, Hong Truong, 15, to death in late 1990. One of the assailants convicted of involuntary manslaughter while his partner was convicted of murder — testified that the dying boy had cried out: "God forgive me for coming to this country. I'm so sorry."

But some experts wonder whether the current problem is being exaggerated, whether some advocates for immigrants, shaken by the events in Germany and the nativist oratory of some U.S. political candidates, have become hypersensitive to prejudicial slights that have always existed.

Still, in the last year and a half, political candidates, lobbyists, academics and writers who oppose current levels of immigration have capitalized on the frustration of some Americans.

"It was more a climate of hostility that was being created," said Frank Sharry, executive director of

the National Immigration, Refugee and Citizenship Forum.

Two politicians, Patrick J. Buchanan and David Duke, made nativism a key element of their campaigns, with a particular concern that new immigrants would "dilute," as Mr. Buchanan said, the country's European character. This summer, a magazine article raised questions about the value of immigrants to American society.

The articles not only explored the idea of restricting immigration but of placing a moratorium on new immigrants.

The riots in Los Angeles and Washington Heights, during which immigrants were denounced for inciting violence, provided further fodder for such antagonism. Advocates for immigrants steeled themselves for a public battle during the fall presidential race.

But after the party conventions, even after the Republican Party plank called for "a barrier" — a wall or trench — along the border with Mexico, the issue faded.

Swedes Expel Palestinians

Agence France-Press

STOCKHOLM — Two Palestinians suspected by the Swedish intelligence service to be members of the Front Revolutionary Council, headed by Abu Nidal, were expelled Friday, the service said.

Nicholas L. King, 68, Journalist, Dies

New York Times Service

NEW YORK — Nicholas L. King, 68, the managing director of the federal government's New York Foreign Press Center since 1981, died Wednesday, apparently of a heart attack, in his New York office.

Mr. King, a 1946 graduate of Harvard College, worked as a foreign correspondent for United Press International in London and Paris and then joined The New York Herald Tribune as an editorial writer. He served as press attaché in the U.S. Embassy in Paris from

1963 to 1969 and then held the same position as spokesman for the U.S. Mission to the United Nations when it was led by George Bush.

In the following years, he worked as a free-lance journalist, and was a frequent contributor to the Op-Ed page of The Baltimore Sun, until the Reagan administration appointed him to head the information center. The center is run for foreign journalists by the U.S. Information Agency.

Mr. King, who was a descendant of Peter Stuyvesant, wrote "George Bush: A Biography" in 1980.

"It's a weird little place," he said. "It's about as far away as anything you can imagine. Old Nazis go there. It's 50, maybe 100 years behind everything."

Shopping Hints: Two hardware companies in the Los Angeles area have set up bridal registries for the bride-to-be who gets dewy-eyed not over silverware but over power drills, hedge trimmers or a set of gleaming new trash cans.

• Teazing & Pans in New York, which styles itself "The New Gift Store for Older Children," offers a four-foot, two-inch (1.28-meter) inflatable doll of the angst-ridden subject of the Norwegian artist Edvard Munch's painting, "The Scream."

Arthur Higbee

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Herald Tribune

Still Under Construction

Huge, mixed, democratic India lives with a level of civic disorder that would sink many other states. But the explosion that took place Sunday, when Hindu extremists destroyed a four-century-old Muslim mosque, has stirred fears that the country is entering its gravest crisis since independence.

be put on the rightist Bharatiya Janata Party, which saw to the destruction of the Ayodhya mosque and to the immediate and provocative construction of a makeshift Hindu temple in its place. In this party's shameless and cynical exploitation of religious tensions for political gain lies the chief source of India's latest turn.

Little Light on Iraqgate

Could William Barr, the U.S. attorney general, be trusted to produce a credible examination of the U.S. administration's possibly criminal aid to Iraq before the Gulf War? That did not seem likely two months ago when he appointed Frederick Lacey, a former federal judge, to conduct an ostensibly independent investigation.

Congress — and if so, whether the dereliction reached higher. Without embarrassment, Mr. Lacey admits that he does not even know the whereabouts of that Commerce official, let alone acknowledge a duty to learn whether higher officials are implicated.

Making Schools Work

How productive are American schools? The assumption is, not very. Most students are not learning what they need to know to enter a global, competitive work force.

wants to examine education, from kindergarten through high school, in the way others might examine a steel mill. What are the outputs per unit of input? What knowledge and skills are students acquiring for the time and expenditures of teachers and administrators?

The Man Is No Nibbler

Out onto the big Macs and fries. Hire a new White House chef. Make the presidency a bully pulpit for all things dietetically correct. That is the advice conveyed to President-elect Bill Clinton to a letter written by a California elf and endorsed by more than 60 of her colleagues.

from the crowd, this will not be a take-one-nibble-and-hand-it-to-an-aside presidency. It will be a doggie bag incumbency. The chefs are alarmed that among published recipes said to be Mr. Clinton's favorites, there is one for enchiladas made with canned peppers and tomatoes and another for a lemon pie that takes two cups of sugar.

India in the Plural: Save This Ethos From the Dividers

By Shaahi Tharoor

NEW YORK — Next week our 8-year-old twin sons are traveling home with us to India. It is an India they have always identified with, though they have grown up elsewhere.

details came to time but principally as a vindication — at my college, for instance, half the presidents of the student body were non-Hindus. In these things, religion was not allowed to matter. Secularism was the defining element of national consensus.

imposed and rooted for the national cricket team, captained then (as again now) by a Muslim. Our national leaders and heroes were Muslim, Parsi, Christian, Sikh, as well as Hindu. When my Brahmin mother-to-law visited us in Europe, she was most anxious to light a candle at Lourdes.

survived the Aryans, the Moguls, the British; it has taken from each — language, art, food, learning — and outlasted them all. But today's politics of deprivation has eroded the culture's confidence. Hindu chauvinism has emerged from the competition for resources in a contentious democracy.

This Despot Deserves No Niceties

By Anthony Lewis

WASHINGTON — The world's diplomats have tried for months to end Serbian aggression to Bosnia by talking with Serbia's president, Slobodan Milosevic. Such distinguished figures as Cyrus Vance, Lord Carrington and Lord Owen have been involved. Cease-fires and other steps toward peace have been repeatedly promised — and forgotten.



By GABLE in The Globe and Mail (Toronto), C&W Syndicate.

Somalia, Yes, Bosnia, No: The Crucial Distinction

By Charles Krauthammer

WASHINGTON — Why Somalia and not Bosnia? The question is important because unless it is answered Somalia risks becoming either a dangerous precedent or just a farewell gift of conscience by a dying administration.

like Vietnam to sour a generation of Americans on even the most justified intervention. The only interventionist consensus sustainable in the United States over the long run is one founded on the Powell doability principle.

A Lovely Dawn, a Long Day

By Willet Weeks

The writer is director of Save the Children's programs in the Horn of Africa.

MOGADISHU, Somalia — To the thousands of Somalis who had, as I had, been staring skyward from rooftops and gardens for hours Wednesday morning, the spectral silhouette of a helicopter rising was the first visual evidence of a change in their lives, a change whose nature and scope they and we could only begin to grasp.

Not Too Late to Expand Little Rock's Economic Vista

By Hobart Rowen

WASHINGTON — Bill Clinton's press office says that the economic "summit meeting" to be held Monday and Tuesday in Little Rock, Arkansas, will focus on "America's current economic health and long-term economic prospects."

slump. Economic growth in 1993 could be a bare 1 percent, a forerunner of even higher unemployment. Germany. The strongest power to Europe has been surprised to find its strength sapped by higher-than-expected costs of reunification and the debilitating effects of high interest rates.

any on the horizon, and as such is a continuous threat to stability in Europe and the rest of the world. Third World. Ironically, the single area of prospective global strength is among the developing countries, which are expected to grow by more than 6 percent next year, as they did this year.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1892: Soup and Anarchy

PARIS — Five to six hundred of the poor and destitute attended the Anarchists' soup lecture yesterday [Dec. 11]. They were seated five at a table and each had a copy of an anarchist paper. They did not pay much attention to the literature, however, but asked for soup, and the honorary distributors had the greatest difficulty in serving them quickly enough.

1917: Enemy Aliens List

NEW YORK — Prominent men throughout the country are congratulating the Herald for publishing a list of alien enemies — Theodore Roosevelt: "The Herald is doing a great patriotic service for the United States and every American should express his appreciation." Mr. Daniels, Secretary of the Navy: "The list should be of immense service to the Government in hunting down enemies on American soil. It would undoubtedly be an advantage if newspapers to other cities

1942: U.S. Bombs Naples

LONDON — [From our New York edition:] American bombers based in the Middle East inflicted great damage on Naples yesterday [Dec. 12] with Royal Air Force raiders struck at Tunis and other widely spread Allied air fleets scored against Axis transports at the Army of Field Marshal Erwin Rommel, huddled beyond Agheila, in Libya. The Italian high command admitted today that the damage was great to the raid on shipping at Naples, where the first American attack, made two days ago, sank one cruiser, crippled a battleship and damaged another cruiser.

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Panic Asserts Rival Made Serbia Poor Campaign Taken to Region Milosevic Once Dominated

By Chuck Sudetic
New York Times Service

NIS, Yugoslavia — Promising peace and prosperity instead of poverty, the prime minister of Yugoslavia, Milan Panic, on Friday brought his campaign to oust Serbia's hard-line nationalist president, Slobodan Milosevic, to the republic's industrial heartland, a longtime Milosevic stronghold laid waste by economic mismanagement and international sanctions.

"There has been enough destruction, enough death, enough impoverishment," Mr. Panic told several thousand enthusiastic, and mostly young, supporters at an afternoon rally. "No longer, at the end of the 20th century, can cannons be used to solve problems."

"This is a rich land, and someone has made it poor," Mr. Panic said, clearly attacking Mr. Milosevic, who was elected the republic's president in 1990, three years after an

explosion of nationalist euphoria catapulted him to the chairmanship of Serbia's Communist Party.

"This is not a struggle between two men, but between two systems," he said.

"We're here to build," said Mr. Panic, a naturalized American citizen who returned to Yugoslavia to become prime minister. "And when Yugoslavia becomes rich, then we'll tax you all. Only then will the government get rich."

The crowd roared at Mr. Panic's quips, heavily accented Serbian and jabs at the Communists running this dreary industrial town.

The campaign for the Dec. 20 election has smoldered Serbian society, dividing people who see Mr. Panic as a traitor, and even a foreign agent, from those who see him as the country's last potential savior.

Mr. Panic, a former bicycle racer who defected to the United States and made a fortune selling pharmaceuticals, returned in July to become prime minister of the rump

state of Yugoslavia at the invitation of Mr. Milosevic and Yugoslavia's president, Dobrica Cosic.

Belgrade's invitation to return was clearly a tactic aimed at using Mr. Panic to persuade world leaders to lift economic sanctions imposed by the United Nations Security Council.

But in the five months since Mr. Panic's arrival, during which he narrowly survived two parliamentary votes on no-confidence motions, he has relentlessly attacked Mr. Milosevic for stalling free elections and refusing to relinquish control of the country's major organs of communication.

Now, Serbian nationalists, who support Mr. Milosevic and favor dismemberment of Croatia and Bosnia-Herzegovina and the creation of single states for all the former Yugoslavia's 8.1 million Serbs, are pitted against moderates backing Mr. Panic. The moderates favor a compromise that could include eventual recognition of Croatia and Bosnia-Herzegovina within their present borders.

The campaign tour marked Mr. Panic's first attempt at building grass-roots support in Serbia itself. The latest opinion polls show him with a slight lead in the race, but more than 15 percent of people surveyed have said they were undecided.

"Panic is sincere," said a 42-year-old textile worker. "He doesn't need to steal our money. He's got plenty of his own."

"The young people will vote for Panic," the worker said. "The village people will solidly back the regime. All they do is watch Belgrade television. People who've gotten their jobs through the state will also vote for Milosevic because they are afraid."

The bulk of Mr. Milosevic's support is among the pensioners, the Communist Party diehards, the police and the villagers who rely for their news on Belgrade television, the driveshaft of Mr. Milosevic's propaganda machine.

Bitter Milosevic supporters at the fringe of the rally Friday showed the antipathy that Mr. Panic faced with just over a week left before the vote.

"Mr. Panic has traveled the world but done nothing for his people," said a former salesman, Peter Radenkovic, 71.

"He is Bush's agent and thinks only about his foreign masters and his business," he added. "He wants to sell Serbia out."

There has been enough destruction, enough death, enough impoverishment."

Milan Panic, campaigning in Serbia



Bosnian refugees warming themselves by burning newspapers Friday in the courtyard of the Europa Hotel, which houses refugees.

NATO Ready to Intervene in Balkans

By Roger Cohen
New York Times Service

PARIS — NATO's secretary-general, Manfred Wörner, said Friday that the alliance was prepared to intervene in the former Yugoslavia if requested by the United Nations, adding that contingency plans for a military operation were under review.

But Defense Secretary Dick Cheney, speaking at the end of a meeting in Brussels of NATO defense ministers, said Washington remained opposed to committing ground troops unless the objectives were clearly defined. He also urged NATO to admit some East European governments to membership in order to confront security problems in that region more effectively.

Mr. Wörner, while stressing that the UN should continue to have the leading role in responding to the Balkan crisis, said that NATO was ready to act. "I have no doubt that, if asked by the United Nations, the alliance would do what is necessary," he declared.

Contingency plans had been drawn up, Mr. Wörner said, but declined to elaborate. Later, he told the BBC that he believed the time had come for a military intervention, although the consequences for UN humanitarian forces already

there have to be reviewed carefully.

His remarks, made at a press conference, came amid growing outrage in Europe over the failure to act to stop the fighting in Bosnia-Herzegovina, where at least 17,000 people have died in the past ten months in fighting between Serbs, Croats and Muslims. This week, Prime Minister Ruud Lubbers told the Dutch parliament: "I don't give a damn who takes the lead. I think it's scandalous that there's intervention in Somalia, but not in Yugoslavia."

However, Mr. Cheney reiterated U.S. concerns over sending in American ground troops.

"While we clearly have the capacity along with the NATO alliance to use our military assets to carry out whatever mission we're given," he said, "it's not so much a matter of feasibility as of the complex political decision that needs to be made about what your objectives are and how military force should be applied and what you hope to achieve."

Asked specifically about the use of air power, Mr. Cheney avoided the question, dwelling instead on the problems of committing ground forces. "I feel strongly that a large component of ground forces would probably not be that beneficial," he said.

The differing interpretations placed on the defense ministers' talks by Mr. Wörner and Mr. Cheney appeared to reflect continuing uncertainty within the alliance over the most effective approach to the Balkan crisis.

Mr. Cheney, who will step down next month, made a strong appeal to NATO to expand to include some of the countries of the former Soviet bloc. "I would advocate ultimate membership in NATO for at least some of those nations of central and Eastern Europe that meet the fundamental tests we have required of others in terms of their

commitment to democracy," he said.

He suggested this would be the most effective way to confront the security concerns of central Europe, adding that "a security organization that is devoted to European security that fails to address those concerns is not going to survive long-term."

But France, which is outside NATO's military structure and does not attend defense ministers' meetings, is determined to develop West European defense structures and has expressed reservations about an expansion of NATO.

Czech, or Slovak? Spoils Are Divided, Loyalties Weighed

New York Times Service

PRAGUE — Like all 136,000 men and women in Czechoslovakia's armed forces, Lieutenant Colonel Peter Fuzak must choose between the Czech and the Slovak armies after the country splits Jan. 1.

"I am neither a good Slovak nor a bad Slovak," said Colonel Fuzak, a career officer from Slovakia who has been stationed in the Czech lands for 18 years. "I'm an army officer who tried to do his job well. My wife and children are Czech. It makes no sense for me to return to Slovakia."

Four weeks before 74-year-old Czechoslovakia goes out of existence, becoming the Czech Republic and Slovakia, ordinary citizens are considering their choice of citizenship. As another part of the process, officials are working overtime to count and divide national property, from the army's 1,435 tanks and government BMWs and computers to paintings and plants in government offices.

One-third of all movable property goes to Slovakia and two-thirds to the Czech Republic, both sides have agreed, based on the ratio of their populations: 10.4 million Czechs and 5.3 million Slovaks.

Because the Soviet bloc saw a potential military threat coming from the West, most of Czechoslovakia's military bases were planted in the more western Czech Republic. Consequently, dozens of freight trains are now lugging military supplies east to Slovakia.

But the majority of the 8,685 Slovak officers stationed in the Czech Republic are expected to decide to stay, having put down roots there. This may initially deprive the new Slovak Army of enough officers, but no one contests the right of each to choose which to join.

Real estate will belong to the republic in which it is situated,

while things that aren't worth dividing up physically are being carefully counted, so that accountants can figure any monetary compensation.

"You see this furniture?" asked Miroslav Purkyně, deputy finance minister of the Czech Republic, clutching his massive wooden desk and then turning around to point to the floor-to-ceiling cabinets behind him. "Of course, there's no point shipping this to Slovakia. But it all has to be counted."

Although some disagreements remain, most of the problems of the breakup have been resolved so far through negotiations.

Slovakia, for example, agreed last month to a law stipulating that federal buildings belong to the republic to which they are found. But, pointing to a clause in the law saying that the property division must be "just," Slovakia is nonetheless demanding compensation from the Czech Republic. This is because most federal government buildings are in Prague, the capital of both Czechoslovakia and the Czech Republic.

Slovakia, whose capital will be Bratislava, is also asking the Central Bank to give it 7.5 tons of gold before the bank's total gold reserves are tallied and divided in a 2-to-1 ratio between the two republics. Slovakia says the 7.5 tons came from citizens' contributions to the nominally independent, pro-fascist Slovak government that existed under Nazi control during World War II.

Czech officials say the claim is greatly exaggerated. Some Czech officials have added privately that if the gold claim remains an issue, the Czechs will demand compensation for Slovaks' receipt of property holdings in Czech companies during the nation's virtual giveaway of state property, known as coupon privatization.

German Police Arrest 6 Neo-Nazis in Hostel Raid

Reuters

BONN — The police arrested six rightists Friday after an attack on a hostel for foreign asylum-seekers in the eastern town of Klötze.

The state prosecutor's office said the six were in a gang of neo-Nazi youths armed with baseball bats and hammers who had gathered outside the hostel, shouting xenophobic slogans and throwing stones through the windows.

They broke down the hostel's front door but fled after a resident threatened them with a knife, a spokesman for the prosecutor's office said.

Extreme-rightist individuals or gangs have attacked foreign asylum-seekers and residents as well as Jewish Holocaust memorials in Germany more than 2,000 times this year. Seventeen people, including eight foreigners, have been killed in the attacks.

Interior Minister Rudolf Seiters said Friday that a nationwide sweep against the neo-Nazi party German Alternative, which was banned Thursday, had resulted in the seizure of tear-gas pistols, ammunition, membership and address lists, and large quantities of banned Nazi propaganda.

The police raided offices of the party and arrested two members of a self-styled militia unit that allegedly trafficked in arms.

Four party bank accounts were frozen.

A party follower was arrested in a raid in Hoyerswerda, where neo-Nazis besieged an immigrant hostel for a week in 1991, for his suspected involvement in an attack on an Italian pizzeria.

German Alternative was the second neo-Nazi party banned in two weeks, after the Nationalist Front was forced to dissolve.

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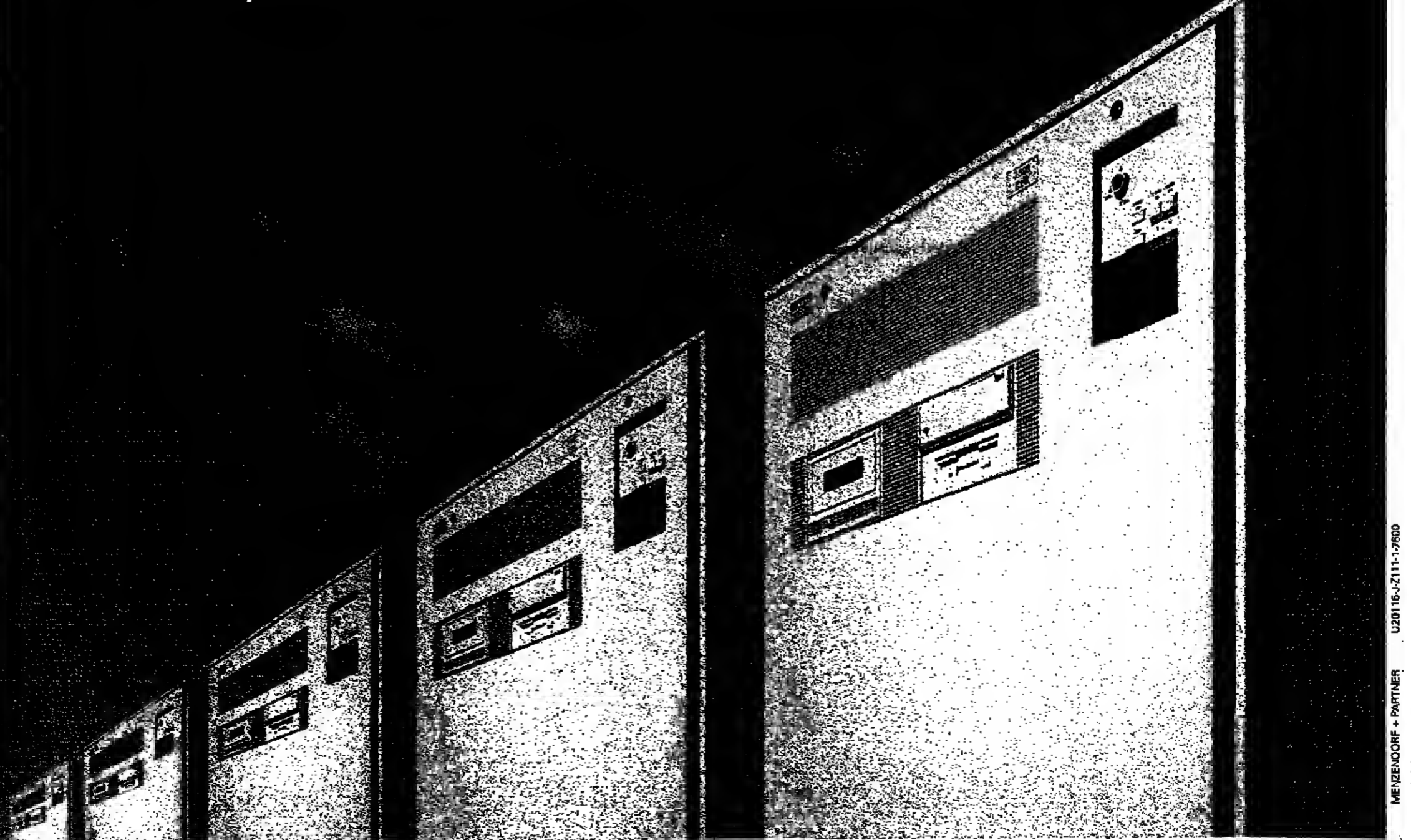
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Synergy at work



Jordan Sees Baghdad's Hand in Scientist's Death

By Youssef M. Ibrahim
New York Times Service
PARIS — An Iraqi nuclear scientist who was shot in Amman, Jordan, was killed by agents of Iraqi intelligence to deter other Iraqis traveling to Jordan who might consider defecting, Jordanian officials say.

to seek asylum in the West. Large numbers of Iraqis, particularly from the upper and middle classes, ask for asylum at Western embassies in Amman every month. Few succeed.

reported to have arrived in Amman on vacation on Oct. 25, but failed to go home when his leave was over.

Israeli Farmers Tighten Belts As Fallow '7th Year' Looms

By Clyde Haberman
New York Times Service
HAFETZ HAYIM, Israel — Just as the calendar warned, belt-tightening has begun for the 500 members of this religious kibbutz sprawling across luxuriant fields a little more than 30 kilometers west of Tel Aviv.

for decades, amounts to a theological loophole that permits Jewish farmers to continue working the land as usual, even during the sabbatical.

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Firefight Erupts At Mass Protest in Yemeni Capital

Agence France-Press
SAN'A, Yemen — Shooting broke out between security forces and demonstrators in the Yemeni capital Friday, witnesses said.

2 Die in West Bank Shoot-Out

Compiled by Our Staff From Dispatches
JERUSALEM — A paramilitary police officer and a Palestinian wanted for anti-Israeli activities were killed Friday in a shoot-out in the occupied West Bank, the army said.

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ART



Caricature of Rossini (1867).

Belated Greetings On Rossini's 200th

International Herald Tribune

PARIS—The theaters of the French capital have not done too well by Gioacchino Rossini in this bicentennial year of his birth...

Rossini's operas were already well known in Paris, especially as the mainstay of the Théâtre Italien repertory...

The revolution of 1830 coincided with the end of his official and operatic career...

David Stevens

The Street Scenes and Smokestacks of Camille Pissarro

By Michael Kimmelman New York Times Service

DALLAS—“The Impressionist and the City: Pissarro's Series Paintings” is a revelation in its way as beautiful and intelligent as the traveling show two years ago of Monet's series paintings.

The exhibition, at the Dallas Museum of Art, brings together 70 works from the last, astonishingly productive and until now poorly appreciated decade of Camille Pissarro's life.

At no other time did Pissarro convey the same sustained sense of pleasure and freedom. And at no other time does he seem so accessible. To see these late paintings brought together is almost to feel yourself standing beside him in the Grand Hôtel de Russie in Paris while he records in one canvas after another the unfolding scene outside his window along Boulevard Montmartre.

The show, which goes to Philadelphia and London after closing in Dallas on Jan. 31, should earn for him a more prominent place in the popular imagination. Of the great Impressionists, he is the least understood. Think of the art of Renoir or Monet, and an image comes immediately to mind. Not so with Pissarro, whose career was such a constant search for new ways to paint that even to describe him as an Impressionist is problematic.

Influenced by artists as diverse as Millet, Monet, Degas and Seurat, he laid himself open to the ungrateful remark by Gauguin, who had studied with him, that he “always wanted to be on top of the latest trend.”

To put it more fairly, even in his 60s and 70s and hindered by a chronic eye infection, Pissarro was receptive to fresh ideas. He had spent most of his life painting images of rural France, of places like Fontainebleau, Montmorency and Nanterre. Yet he shifted his attention to urban scenes, and by his death in 1903, at the age of 73, he had completed 11 series of paintings, more than 300 works depicting the industrial sprawl along the Seine at Rouen, Dieppe's congested marketplace in the shadow of the Gothic Church of Saint Jacques. Le Havre's busy harbor, and the boulevards of Paris, filled with promiscuous and carriages.



Camille Pissarro's "Place du Théâtre Français" (1893), depicting a busy intersection in Paris.

who carried forward some of his ideas into the 20th century.

They are also a potent alternative to the works of Lautrec, Vuillard and Bonnard, whose urban images from the 1890s focused on interiors and their occupants. Pissarro's art is about panoramas, about the vastness and tumult of the modern city.

In this, his work also responded to the series paintings of Monet. Like Monet, he was keenly sensitive to the vicissitudes of nature. He tracked shifts in weather, portraying the Bois-de-Boulogne at Rouen, for instance, in an afternoon mist, under gathering clouds, and against a vaporous sunset that glows through woods of smoke rising from new factories along the Seine.

He was a great painter of the afternoon sun that casts long, slanting shadows, as in his view of the Tuileries Gardens in winter. And he rivaled Monet in suggesting light reflected in water, as in his view of the rain-soaked Square de Vert-Galant on the Pont-Neuf.

But unlike Monet, who concentrated in his series paintings of the 1890s on unpeopled, Edenic scenes, Pissarro was concerned as much about urban drama as about atmospheric effects. Monet made the stacks of bound wheat be painted seem to dissolve into skeins of light. Pissarro expressed corporeality through his thick, masonrylike brushstrokes and smudgy compositions, with their strong verticals and horizontals fixing an image in place.

He was a great painter of the afternoon sun that casts long, slanting shadows, as in his view of the Tuileries Gardens in winter. And he rivaled Monet in suggesting light reflected in water, as in his view of the rain-soaked Square de Vert-Galant on the Pont-Neuf.

But he was more often a painter of urban spectacle—of “Paris, that large hubbub,” as he

called it—epitomized by his images of a parade sweeping down Boulevard Montmartre on Shrove Tuesday, colored streamers dangling from trees and rooftops like strands of spun sugar.

How much his choice of subjects had to do with his well-known interest in anarchist politics is a matter for debate. As an immigrant—born and brought up on the Caribbean island of St. Thomas—and as a Jew living in France during the Dreyfus affair and the wave of anti-Semitism that accompanied it, Pissarro was sensitive to the roles of the outsider and the disadvantaged.

It is typical of him that he made a number of the late series paintings small, so that people with relatively little money could afford them. There is nothing in any of these works as explicitly political as his suite of drawings of 1890, “Les Turpitudes Sociales.” Yet he clearly paid attention to distinctions in class. Each of the workers hauling wood from the ships along the Seine is neatly characterized in his Rouen series, as are the bourgeois milling about the Place du Théâtre Français in his depictions of that busy Paris intersection.

And when he devotes a series of paintings to an equestrian monument of Henri IV, a king whom Pissarro admired for his religious tolerance, he juxtaposes the statue time and again with an image of a washerwoman.

“Perhaps it is not aesthetic,” he said, “but I am delighted to be able to paint these Paris streets that people have come to call ugly. This is so, so sly, so jocular and vital. This is completely modern.”

The exhibition has been organized by Joachim Pissarro, the artist's great-grandson, and by Richard R. Brettell, director of the Dallas Museum and a Pissarro scholar who helped to put together the last major Pissarro retrospective, in 1980-81.

That show included only a smattering of the late pictures. This one brings together many works that have not been seen together before, and also many works that have never been in a public view, painstakingly gleaned out by the curators from private collections.

Large table with columns for fund names, symbols, and prices. Includes sections for International Funds, Other Funds, and various regional market indices.

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Old Master Sales: The Wild Estimates Game

LONDON — The art market is throbbing with life once again and only the mistakes that auction houses stubbornly repeat conceal what could be a renaissance. There is plenty of money around. On Thursday, while Sotheby's was selling the most expensive aquamarine ever — a 12th-century pouring vessel from Saxony in the shape of a bronze horseman which climbed to a dizzying \$660,000 (\$1,023 million), little Bonhams, too, had

SOURN MELAKIAN

its moment of glory. A still-life by Luis Meléndez set a record for the 18th-century Spanish artist as it ended up at \$935,000. What makes the Meléndez price remarkable is that it was paid for a difficult subject. Still-lives with dead fish do not go down very well with the general public. The superior quality of the painting did the trick. While it is true that Meléndez has only recently come into his own and is accordingly sought after by several museums, such a record proves that in Old Masters as elsewhere connoisseurship is dictating the pace.

There can be no sounder basis for a fresh start. However, this also means that fooling around with estimates in order to whip up prices is henceforth lethal. Alas, auction rooms have yet to draw the consequences. On Wednesday, at Sotheby's, 46 pictures were sold for a substantial \$9.41 million while 39 were left stranded, often unnecessarily.

A string of exaggerated estimates seemed to bear no relationship to real life, up and down the financial scale. To expect £1 million to £1.5 million, plus the 10 percent charge, for a view of the Grand Canal in Venice that until recently was considered to be "probably" by Canaletto is to display great optimism. It has now been given the green light by one authority on the artist. This may not be quite enough. Bidding started at \$500,000 and miserably petered out at \$650,000.

The story repeated itself on a far more modest scale concerning works that were undoubtedly desirable. A delightful little landscape on a circular panel by Jan Brueghel the Elder has a seemingly irresistible fairy-tale charm. The estimate should have been in the area of £20,000 to £30,000. With an utterly improbable £60,000 to £80,000 price tag attached, the Jan Brueghel never stood a chance.

WORSE, the small landscape was the first of 10 pictures that went unsold in a row. Some works that looked hopeless had a dampening effect. This was the case with "Christ Interceding for Souls in Purgatory," attributed to Joseph Heintz the younger, a 17th-century German painter of the Prague atelier. The estimate, £40,000 to £60,000, made little



Goya's "A Bullfighting Scene": Its rarity made it desirable.

and the picture fell dead at £28,000. Why would experts such as Julien Stock, Sotheby's director of the Old Masters department, who know their job backwards, stumble so obviously? The explanation is yielded by such curious groups as the nine pictures, eight Dutch, one Flemish, discreetly identified as "property from a Rhineland private collection." These seemed to be stalked by misfortune. Seven of the nine lots were left stranded.

Further investigation revealed that the group had first been offered to Christie's and then to Sotheby's. In such situations, accepting high reserves, echoed in high "estimates," helps to win the battle in its initial stages. Unfortunately, it also helps to come unstuck in the second and final stage, i.e. when the auction takes place. Another flaw resulting from the ruthless competition in which auction houses are engaged is the need to give an impression of abundance. Vendors of important works do not fancy slim catalogues — they reckon that more works attract more peo-

ple. The bosses of auction house experts are not keen on slim catalogues either. All this leads to the acceptance of bids. On Wednesday, the prize in this line may well go to a "Nativity" attributed to the Master of Sjena, a Spanish artist from Aragon. In a market dominated by connoisseurs, such dead fish like dead flies. Many did on Wednesday, superficially giving the impression of a picture in difficult straits when every picture worth buying sold, some extremely well.

A DELIGHTFUL "Hawking Party in a Hill Landscape" by Wouwermans quadrupled the high estimate, soaring to £253,000. Another Wouwermans that did not bear comparison made £88,000. Proportionately, this is about right. A beautiful landscape by Philips Koninck seemed inexpensive at \$990,000 only because the printed estimate stood at a crazy £1 million to £1.5 million, plus the 10 percent premium. There was one cheap painting that morning, Nicholas

Berchem's ravishing Italianate landscape, at £77,000. But then nearly every auction has its occasional bargain. When it came to the day's star, a bullfight painted by Goya in Paris in 1824, it could hardly have done better. By that year, the Spanish artist was 78. A political refugee who had recently fled his country, Goya was asked by his compatriot Joaquín María Ferrer to handle a theme that he had so brilliantly tackled in his "Tauromaquia" etchings around 1812-14. This is an aging artist's throwback to the past.

Goya scenes hardly appear in the market and sheer rarity made this one a target for institutions and major collectors. Even the Prado, rich as its Goya collection may be, is reported to have been interested. Bidding started at £3 million. At £3.7 million, Julian Agnew, chairman of Agnews, the oldest London firm dealing in Old Masters, gave up. Competition continued up to £4.5 million, at which point the auctioneer, Timothy Llewellyn, knocked it down to Bill

Jordan, a dealer acting on behalf of the J. Paul Getty Museum. John Walsh, director of the Getty Museum, stood at the back of the room, an unprecedented move, pointing to his keenness not to miss. The underbidder, on the telephone to a Sotheby's agent, is believed to have been a European private buyer. At that point there was no doubt that big money is being pumped back into the market. If there were any lingering doubts on that score, Christie's remarkable sale on Friday settled the issue. Vastly superior to Sotheby's in the middle range, it got off to a good start with only one in the first 10 lots failing to find a buyer. That always helps. What did the trick above all were the estimates, which, while still high, rarely went over the top.

The auction gathered momentum, some significant paintings reaching the middle estimate. Canaletto's view of the Molo in Venice fetched a generous £462,000. A few small pieces started doubling the high estimate. Such was a dream sketch by Francesco Guardi done with the lightest touch ever, which shot up to £63,800. There, the role of Noel Annesley — deputy chairman of Christie's and an eminent connoisseur in the field — who was taking the sale in person, must be stressed.

PERFECTLY attuned to his audience, unlike Sotheby's auctioneer, with just the right gentle touch, Annesley made the sale sing. When it came to overestimated pictures — a pair of small Canalettos bought in at £340,000, which should have been estimated well below that — Annesley dropped them quickly. When a few nonstarters came up, he would bring his hammer down almost instantly. The portrait of Madame de Vieux was one of the more costly mistakes — the face is beautiful and is indeed probably by Rubens, while the rest might be studio work. It would have stood a chance at around £600,000 but was quickly bought in at £950,000.

Then came three sketches by Rubens, the most important going to Agnews of London for £748,000. Of the other two, both estimated too high, one sold just under the lower limit, for £264,000 with premium, while the other failed to find a buyer. Minutes later, an early and beautiful work, the "Entombment," soared to £1,050 million, over the high estimate, paid by Otto Nauman of New York in coordination with Alfred Bader of Milwaukee.

It all culminated with a scene by Pieter de Hooch sold to Robert Nooroom of London for £4.4 million. A little girl seated in a doorway has been given a mustache, both probably the result of some damage, which connoisseurs said could be set right without repainting. It brought to a brilliant conclusion a satisfactory auction. Never mind the 39 pictures that did not sell. The train is well on its rails.



Detail from Gozzoli's 'Wise Men' fresco.

Gozzoli's Magi, Gilded Like New

Latest of Florence's Restorations Might Turn Out to Be Last One

By Susan Lumsden

FLORENCE — Like a gilded Christmas card to the world, Benozzo Gozzoli's fresco "The Procession of the Wise Men" (1459-63) will be unveiled in the Cappella dei Magi on Dec. 14 after a three-year restoration completed for the quincentennial of the death of Lorenzo de' Medici, the fresco's protagonist. The latest of Florence's monumental restorations and the most iconographically rich of Renaissance frescoes, the "Procession of the Wise Men" or "Magi" might also be one of the last major art restorations in a 10-year boom. A tangible result of Italy's inflated '80s, restoration is being reduced in the new austerity. Also influenced are the private sponsors like the Banca Toscana, which paid 960 million lire (about \$700,000) for the Gozzoli restoration including the chapel and courtyard of the Palazzo Medici-Riccardi.

In his masterpiece, Gozzoli, a student of the enchanted artist-priest, Fra Angelico (1387-1455), depicts the Magi, led by the young Lorenzo the Magnificent, winding their way on horseback, not to Bethlehem but to Cafaggiolo, presumably, through a wooded landscape still typical of the Mugello Valley, the Medici's ancestral land north of Florence.

It is that deep forest green that is the most striking discovery of a restoration filled with technical discoveries, says Cristina Acidini, the deputy superintendent of the Department of Artistic and Historic Property of the provinces of Florence and Pistoia, who directed the restoration. "The real miracle of the Cappella dei Magi," suggests Acidini, "is that it is windowless."

With normal exposure to daylight, a copper-based green pigment turns brown with time, explains Acidini. "Botticelli's 'Primavera' is a good example. The center is faded while the periphery, covered by a thick frame for two centuries, is still a dark green. With Gozzoli, we have vast tracts of the original green, accented by the red lacquer robes and hats of the wise men which are further detailed by the original goldleaf under the original blue 'lapis lazuli' sky."

A GARDEN previously labeled prosaically as the Garden of Paradise is now recognized as the 15th Century Orto Coronarini, the rose garden for crowns and wreaths for special occasions. The brigade of 12 is no longer thought to be symbolic of the 12 apostles but the maximum number of young roughnecks allowed to gather with arms in those also turbulent times. So the hunt scene was taken from the practice of the day. With the possible exception of Mantegna's "Camera degli Sposi," ventures Acidini, "no other work of art is as rich in details of Renaissance life."

Given the great state of conservation after 500 years, Acidini and her colleagues decided not to apply a protective finish after restoration. Instead, visitors will be limited to groups of 10 for 15 minutes at a time.

If there is a problem, it is the lighting. Acidini warns that the wrong lighting can emphasize all the bumps and lesions of a restoration or, if too strong, flatten completely the forms and annihilate the subtleties. In fact, the debate over restoration might well be due to the light in which it's seen.

The Cappella dei Magi is open from 9 to 1 P.M. and 3 to 6 P.M. weekdays except Wednesday and from 9 to 1 P.M. on Sundays. Ticket: 6,000 or 4,000 lire.

Susan Lumsden writes about the arts from Florence.

On Porcelain, the Power of Propaganda

By Rita Reif

New York Times Service

NEW YORK — Politicized frequently since its introduction in Europe during the 18th century, porcelain became a formidable propaganda tool under the Soviets. After the 1917 Revolution, teapots and platters were emblazoned with boldy graphic Communist images and motifs, such as dinosaurs had been decorated in earlier regimes elsewhere with royal crests and revolutionary slogans.

The hammer-and-sickle emblems and Cyrillic calligraphy in "Revolution, Life and Labor: Soviet Porcelains, 1918-1985," at the Cooper-Hewitt Museum in New York through April 4, are among the most powerful icons in the history of ceramics.

Similar images can be seen at the Art Institute of Chicago through May, in a smaller show of porcelains that were made shortly after the Bolshevik takeover. The 225 plates, tea services and statuettes on view at the Cooper-Hewitt span the period between the revolution and the arrival of glasnost. The museum describes the show as the first comprehensive exhibition on the subject in the West.

While most items are in the Socialist Realist style, there are also memorable abstract studies. A half cup designed by the Suprematist artist Kasimir Malevich is a tour de force of geometric form and decoration. The cup is cut vertically in half and fitted with a rectangular handle; its sides are painted with stacks of black bars that look vaguely like ships.

The collection was assembled in Moscow by Henry Shapiro, an American correspondent who worked mostly for United Press International, and his Russian-born wife, Ludmila Nikolaevna, a writer and photographer. They began

collecting in 1933, the year they met and married. "I started very much as a joke," said Ludmila Shapiro from her home in Madison, Wisconsin. "We were eating at a skating rink and the plates were labeled 'Stolen from the Moscow State Eating Terrace.' We laughed — it seemed an invitation to steal. So I took my plate home."

The Shapiros' holdings grew swiftly. They bought at consignment shops and from the artists who designed and painted the porcelains. Many pieces were given to them by friends, most of whom were appalled at the propaganda on them. When Shapiro retired in 1973, they shipped their porcelains to Madison, where he became a professor of journalism at the University of Wisconsin. Because the couple wanted the collection to remain intact, they contacted the Smithsonian Institution, and in 1989, Cooper-Hewitt, an arm of the institution, acquired the porcelains.

Some of the slogans on these porcelains will be familiar. "Workers of the World Unite" is spelled out in Arabic on a plate from 1921. Another plate, showing a hammer and sickle atop a book, proclaims, "Learn to read and life will be better." A green dish by the painter

Natan Altman depicts a factory inside a red square, with red lettering on the rim that reads, "Land to the Workers." The inscription on the Altman plate, another example of which is in the Chicago show, helps explain the explosion of porcelain production that occurred after the revolution, despite the shortages that plagued the period.

On the underside of the plate are two marks. One, from 1896, indicates that it was made for Nicholas II at the Imperial Porcelain Factory in St. Petersburg. The other, from 1921, is the symbol for the same plant, renamed the State Porcelain Factory, where the plate was painted. Thousands of carist porcelains were recycled in this way.

As the exhibition reveals, propaganda takes many forms. The Soviet cult of physical fitness is celebrated on a 1937 plate showing a woman swimmer and other athletes. A 1967 blue-and-white plate from Meissen in East Germany depicts the 1917 storming of the Winter Palace. The Chicago exhibition, "Soviet Propaganda Porcelain From the Collection of Craig H. and Kay A. Tubor," presents 45 plates, cups, teapots, vases and figures, all designed between 1918 and 1924 at the State Porcelain Factory.

The depiction of agriculture, architecture and military themes on porcelain was common before and after the 1917 Revolution — even though the images changed, from peasants to farm workers, castles to factories and officers to foot soldiers.

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MONEY

FIRST COLUMN

German Firm Finds Money Talks English

YOU are allowed to be surprised, but only if you really want to be. This week the giant California state employees' pension fund, Calpers, has made it known that it has decided to speak out on what used to be thought of as management issues. In today's world, this kind of intervention should raise few eyebrows.

For some time now in the United States, major institutional shareholders have been taking a more active interest in how the companies in which they invest are run — the fashionable parlance for this is corporate governance. A recent example is the fund manager Fidelity's tilt at the management of WPP, an advertising agency in which it had a sizable stake.

Until recently, the move to shareholder power was more or less confined to American institutions, although there have been signs of a creeping interest in positive participation from British ones. Now Calpers, which owns around 1 percent of RWE, one of Germany's largest industrial groups, is exporting its ideas of active shareholding to Europe. The pension fund has expressed via a public statement at RWE's annual meeting that it does not like restrictions on its voting rights. Calpers also has some forthright views on a proposed raising of capital next year.

All this may seem like good news for the pensioners of California. It probably is. But it leaves unresolved the question of how much trustees should flex their muscles. If the trustees' duty is to invest diligently on their pensioners' behalf, what were they doing committing cash to a company with a management style they did not favor? The management might argue that no one forced institutional investors to buy. If the investors don't like the management style, they can always vote with their check books, and sell. Provided, of course, that they have persuaded management to keep the share price high.

Whatever the rights and wrongs of this issue, the board of RWE found out this week not only that money talks, but that, in the case of Calpers at least, it talks in English.

M.B.

Shopping for Retailers' Shares: No Impulse Buying

By Conrad de Aenlle

WITH the holiday shopping season off to an auspicious start, the spirit may move some consumers to acquire shares of retailing companies along with the obligatory Christmas gifts. The advice of people who follow the industry is to be selective and make sure other buyers haven't beaten them into the market and driven up prices.

Based on the first smattering of data and anecdote, such as receipts from the day after Thanksgiving, traditionally the biggest shopping day before Christmas in the United States, American stores ought to have a good-news-bad-news season. What's good about it is that it won't be awful, the way it was the last three Decembers, analysts say. The bad part is that it probably won't be astoundingly better; the shoppers who are stepping back up to the cash register are doing it quite gingerly, still not convinced that prosperity is around the corner.

"It's like a wounded elephant, which is a lot better than being a wounded dinosaur," Alan Millstein, editor of Fashion Network Report, said in summing up the tenuous state of the U.S. retail trade. "After three nearly disastrous Christmases in a row, this one shapes up as a vast improvement for most stores. Instead of being a fat and happy Christmas, it will be lean and hungry, but at least there will be meat on the bones."

That would ordinarily bode well for the companies' stocks, except the boomlet has largely been anticipated. Shares of the three big U.S. retailers — Wal-Mart, Sears, Roebuck and K mart — were recently up 10 to 20 percent from their midsummer levels, far better than the 4 percent rise turned in by the Standard & Poor's 500 index.

The department store chains show even stronger performance over the same period: a 40 percent rise for Federated Department Stores and 30 percent for May Department Stores.

Circumstances are different across the Atlantic. The shopping season has gotten off to a slower start in Britain and the Continent, and retailers' shares have not had the same bounce as those of their American counterparts.

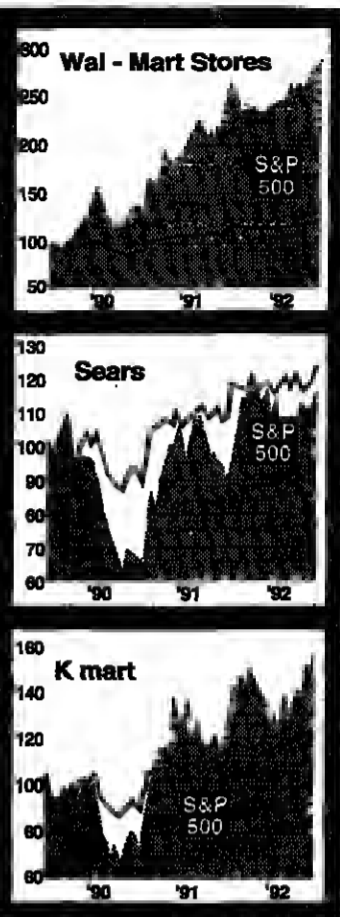
Because American retail shares have risen so far, so fast, caution and selectivity should be exercised when buying. A report by the brokers Shearson Lehman Brothers notes that "some investors are snapping up shares of retail stocks in anticipation that consumers will return to the nation's shopping malls in reindeer-like herds."

John Connallon, Shearson's investment



Bargain Hunting
Results of three retailers compared with S&P 500

Source: Datastream



strategist, goes on to say: "The best performance will come from retailers whose managements have been conservative in their planning, have stringent cost controls and lean inventories. As consumer demand strengthens, incremental sales should generate strong bottom-line results."

Two issues that fit the bill among Shearson analysts are Sports & Recreation, which operates sporting goods stores in the Southeast United States under the names "Sports" and "Sports Unlimited," and Tommy Hilfizer, a menswear specialist.

Mr. Millstein, by contrast, is not crazy about the specialty chains. "I think there will be modest increases" in sales, on the order of 3 to 4 percent from a year earlier, he said. He noted that same-store sales, a key figure for expanding retailers, have been "terrible" for two big specialty chains, The Limited and Gap Stores. "Gap has finally stumbled," he said, adding

that same-store sales increases "were way down in September and October," while at The Limited sales actually shrank. Their share prices, though, have yet to stumble. Both have risen nearly 30 percent since early October.

The companies he thinks will draw more shoppers through the doors are the discount chains like Wal-Mart, Target and K mart. He thinks their sales will rise 10 percent on average. The major department stores, he said, "will have a little less buoyant Christmas; they'll be satisfied if numbers improve 4 to 5 percent."

Retail shares, he said, "have selectively been doing all right. They've been anticipating these numbers, that there'll be some uptick in sales." There is one possible bargain for investors, though, that has shown a relatively small rise in the last few months despite having perhaps the greatest potential of all, by Mr. Millstein's reckoning:

"Probably the most outstanding retailer, the Comeback Kid, will be J.C. Penney. They had a relatively poor Christmas last year and have been showing double-digit increases this year. I predict they'll have a huge increase" of 12 percent this season. Penney's stock has risen about 12 percent since the summer.

The expected strength of sales this season reflects the perceived upturn in the American economy. In Europe, where a rebound has yet to develop and strongest economy, Germany's, is seen to be on a downward slope, the situation is more gloomy. How is holiday business there?

"Not good," Claire Kent, an analyst of Continental European retailers for Morgan Stanley, said. "Christmas trading hasn't started well in Germany and Switzerland. November was mainly flat."

As in the United States, different segments of the European retail market are showing

varied results. "Clothing looks very bad in Germany," she said, while consumer electronics, sportswear, middle-priced jewelry, toys and domestic gadgets are "holding up quite well." The department stores, on the other hand, are doing "not well at all. The first Saturday of Advent was flat."

Circumstances are not as grave elsewhere on the Continent. Taking note of the packed aisles at Paris's *grands magasins* on the Boulevard Haussmann, she said that "France is a totally different kettle of fish from Germany" because the economy there is in better shape.

Speaking of retailers' shares, she said: "Most of them have been terrible performers. Only two stocks are trading at a higher premium to the market historically — Hornbach and Carrefour."

Hornbach, a German operator of do-it-yourself stores, has been an especially strong performer lately, rising by about a third since August, while the DAX index of German shares has been essentially flat. Carrefour, which owns super- and hyper-markets in France, Spain and elsewhere, has more or less been tracking the CAC-40 index of French equities, but it rose more than 20 percent during October and November.

As for the others — the laggards — Miss Kent does not find them attractive, despite their low prices.

"I think the picture in Germany can get a lot worse than people expect," she remarked. "The forecasts of next year's results have been too high. One has to be selective in what one recommends." The only one she does recommend is the German company AVA, whose stock has fallen more than 10 percent since the summer.

The picture for British retailers is mixed. A surge in the money supply in November, the best this year, has been interpreted by economists as a sign that consumers are beginning to consume again. But beleaguered stockpickers including some big ones like Selfridges and Liberty, have threatened to violate the law and open on Sundays, amid reports that consumer demand this season may be weaker than ever.

"There are very conflicting signs at the moment," said one analyst for a large London broker. "Certainly there seems to be some buildup, but it still seems very patchy. It will be another late Christmas this year... If you start hearing good news from the retailers in the next week or so, it could be a good Christmas."

Retailing shares have done "not too badly over the last few days, but they've been in a tight trading range throughout the year," said the analyst, who insisted on anonymity. "People are still wary long-term about any upturn in the economy."

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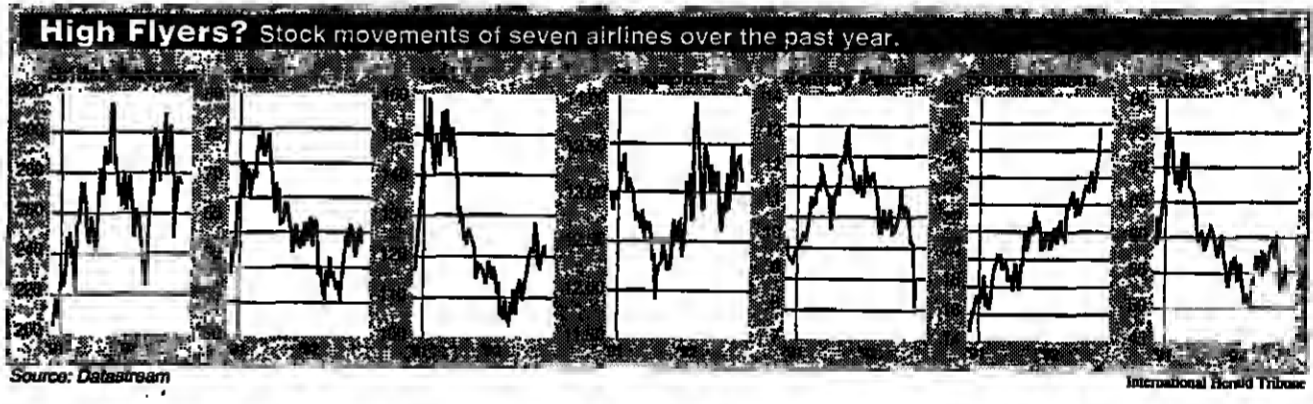
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For Airlines, Lean Years May Be Ending

By Katherine Burton

THE news this week that British Airways and Singapore Air have both bid for a stake in the Australian state-owned airline Qantas is the latest proof that mixed marriages are "in" among the jet set.

Over the past year, the airline industry has been affluted with talk of cross-border alliances — Air France and Sabena, Northwest and USAir to name a few — as the airline industry continues its shakeout and enters a stage of global consolidation.

The timing of all this matchmaking is not by chance because after three disastrous years, it finally looks as if the airline business is climbing out of the abyss.

The Gulf War and a global economic slowdown sent airline profits diving and the industry worldwide lost roughly \$9 billion over the last three years, wiping out all the profits made in the 1980s, according to the International Air Transport Association, or IATA.

But with traffic this year up 10.4 percent from 1991 levels, fuel prices dropping and the first signs of an economic recovery, the skies are looking friendlier, at least for some airlines.

While few carriers will be making a profit in 1992, they are expected to at least break even next

year, and the more optimistic analysts say that now is the time to buy airline shares, as many are coming off their lows of the year.

Performance of airlines is directly related to economic health, and with average gross domestic product growth in industrialized nations expected to rise to 2 percent next year from 1.5 percent this year, analysts say we may have left the bottom of the business cycle.

"There is a major structural change under way in the industry. Even if there is a recovery, the shakeout means some companies will still perform poorly," said John Brindley a spokesman for IATA.

Airline watchers like Lee Howard, president of Airlines Economics, a consulting group based in Washington, believe that eventually the airline industry will number about a dozen mega-carriers.

The process of consolidation is farthest advanced in the United States, where Eastern, Midway and Pan American World Airways were liquidated in 1991, and Continental Airlines Holdings, America West Airlines and Trans World Airlines have sought protection from creditors under Chapter 11 of the U.S. Bankruptcy Code.

But airlines worldwide have faced intense competition, as they dropped fares to get people flying again. The practice hasn't paid off: in the past five years, yields — measured in operating revenue per ton-kilometer — have only risen

3.8 percent annually while operating costs have climbed 5.2 percent.

The fierce business environment has forced airlines to start cutting costs, and those who started first are now reaping the benefits.

British Airways is the prime example, as the only European airline that will show a profit this year. It began a strict cost-cutting program in 1990, a full year before such competitors as KLM and Lufthansa. The airline saw profit growth of 23 percent in the first half of the year to £227 million (\$354 million), but even its executives are warning that business could be better, as second-quarter profit fell from a year earlier due to fewer first-class and business passengers.

"We were quite bullish about British Airways, but now we are worried by two things, the lack of progress on the USAir deal, and also that the apparent traffic increase is at the wrong end of the cabin," said Simon Goodfellow, transportation analyst at Baring Securities in London.

Analysts are also bullish on some of the Asian airlines, which they say are helped by above-average load factors and low unit operating costs due to a greater number of long-haul flights.

Some analysts favor Hoog Kong-based Cathay Pacific Airways, which posted first-half 1992 profit of 1.26 billion Hong Kong dollars (\$164 million) and is expected to continue to benefit from economic expansion in China.

Kevin Murphy, transportation analyst at Morgan Stanley in New York, said that with a price-earnings ratio of 9, the stock was one of the least expensive airline equities around. He expects the share to hit 16 dollars in the next 16 months, from about 9 dollars currently.

Dan White, transportation analyst at County NatWest Securities in London, likes Singapore Airlines because of the popularity of Singapore as a hub. Other analysts, however, don't believe the stock price, now at about 13 Singapore dollars, will take off until next year.

A few analysts also see buying opportunities in U.S. carrier shares, as the U.S. economic situation looks brighter.

Mr. Murphy of Morgan Stanley likes AMR (the holding company of American Airlines), Delta, Southwest Air, UAL and USAir.

"We see the first signs of an economic recovery," he said, "plus there has just been a fare hike and oil prices are down 10 percent."

AMR, Delta, UAL and USAir stock prices have all climbed 8 to 20 percent from their lows of this year, but some analysts say that despite the rise, the stocks could take another downturn as the industry endures another sluggish year.

"We won't see a solid year of profitability until 1994," said Paul Karos, transportation analyst at First Boston in New York, who is advising clients already holding U.S. airline stock to hang on.

Some analysts suspect of having illegal software.

While the group realizes it can't get everyone, it hopes to make examples of a few illegal users to deter everyone else. Honey ester software producers billion of dollars a year, according to industry observers. Estimates of pirated business software run from 40 percent in the United States to 90 percent in some Asian countries.

The campaign has begun with raids in Germany and Belgium. The group is using teams of lawyers and private investigators and then calling in the police.

BRIEFCASE

Ethically Challenged? Here's a Fund for You

The concept of social investing continues to gather momentum in the United States with the launch of two new funds by the San Francisco-based Parnassus group. A balanced fund will invest in bonds and dividend-paying stocks, and a fixed income vehicle will hold any type of taxable bonds except corporate junk bonds.

Neither of the new funds will invest in companies involved with alcohol, tobacco, gambling, weapons or nuclear power.

The original Parnassus Fund, an equity vehicle with \$41.7 million in assets, has added considerable financial clout to the concept of social investing recently. As of November, it was up 25.3 percent over the year, compared to 3 percent for Standard & Poor's index over the same period.

Street, San Francisco, CA 94111, or call San Francisco (415) 362-3505 (800) 999-3505 within the United States.

Software Producers Start Fighting Back

Software pirates beware. The Business Software Alliance, a group of the largest American software makers, has launched a campaign against pirated software in Europe and Asia. The group is armed with a set of new laws that in some cases allow the unannounced search of the computers of compa-

nies suspected of having illegal software.

While the group realizes it can't get everyone, it hopes to make examples of a few illegal users to deter everyone else. Honey ester software producers billion of dollars a year, according to industry observers. Estimates of pirated business software run from 40 percent in the United States to 90 percent in some Asian countries.

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THE MONEY REPORT

More of the Same in '93, but Opportunities Lurk

Selected experts in economics and investment give their opinions, month by month, on the outlook for the world's major economies, currencies and financial markets.

Gerald Holtham

The news from Europe has been uniformly bad now for some time. The most recent indicators from Germany and France point to a slide into recession. Yet inflation and money-growth statistics from Germany remain too high for the Bundesbank's comfort, so no cuts in German interest rates seem to be imminent.

That fact clearly threatens further cuts in the exchange-rate mechanism as the market speculates against currencies where interest rate cuts are sorely needed. Add in other political storms over GATT and the common agricultural policy and the news of racist violence from Germany and elsewhere and you get an unattractive picture of Europe as an investment location.

That probably means you should be thinking about buying European equities in the near future. All that bad news will make investors shun the European markets leaving them cheap. Moreover, the recessionary experience of the United States and Britain has clearly shown that lossy company results do not stall an equity market if interest rates are numbing and the currency is weakening, promising better revenues in the further future.

You bet. At the short end, at least, the bond markets are likely to disappoint their many admirers. The longer the Bundesbank delays in cutting interest rates now — and it will delay — the bigger the drop when it comes. Germany is going into recession and the German gov-

ernment's idea for a wage freeze and reductions in government spending will only make things worse in the short run.

Eliminating real wage increases and cutting government spending can only reduce the level of demand. The Bundesbank would need to cut interest rates by 2 percentage points just to offset the effect of government policy. To actually stimulate the recovery would require further cuts, probably another 2 percent. Don't hold your breath.

A similar story could take off in France, where monetary policy is tied to Germany's. Perhaps it's still a little too soon to buy the equity markets but a bigger danger is trying to be too clever in picking the turn.

Those readers who followed my previous recommendations to buy Canadian bonds are still waiting for the payoff, but I certainly hope you made the switch into U.S. dollars I proposed last time. Your currency gains will be more than making up for a mediocre bond performance. And when buying German and French equities, make sure there is no currency exposure; hedge back to dollars.

Nigel Cumming

Following its recent rally, the U.S. dollar has entered into a period of consolidation. This trend will continue in the short term but the longer term picture for this currency remains bullish. The British pound and the Deutschmark are unlikely to hold onto their recent gains.

Generally, the confusion and volatility within the ERM is likely to continue, especially as longer rates may remain higher for longer than was previously expected.

As for shares, a combination of the "Clinton effect" and bullish seasonal factors should allow Wall Street to make further progress. As stated previously corporate earnings have caught up with market expectations.

Despite the recent rally in Japan it is difficult to see a sustainable break out of the recent trading range. However, any downside risk should be moderated by the expectation of a further reduction in interest rates and a second stimulatory package. After the United States, our next favored market is the United Kingdom, which now stands around its all time high.

Recent signs point to a pickup in economic recovery, earnings growth for 1993 should average 13 percent and the present level of sterling should make this market attractive to overseas investors.

In the short term, for the dollar or sterling-based investor, there seems little point in owning European equities. With the German economy continuing to weaken one is left with the impression that while investors may have come to terms with the political and social problems, there is still scope for unpleasant surprises on the earnings side. This will set the trend for sentiment in Europe as a whole although the Swiss market does offer reasonable value.

The rally in Britain would appear to be overdue (especially in the light of the public-sector borrowing requirement over the next three to four years). The American market offers better, but not outstanding value. Although the setback in this market has discounted some of the anticipated pickup in economic activity, this market should be bought for yield and not the expectation of further substantial capital appreciation.

Within Europe the French market is the most attractive of the quality markets.

The world economy is in serious difficulty, and the outlook for 1993 is for more of the same. Credit



Hirohiko Okumura, chief economist, Nomura Research Institute, Tokyo

Nigel Cumming, senior investment manager, ANZ Grindlays Bank (Jersey)

Gerald Holtham, chief international economist, Lehman Brothers, London

availability is growing extremely slowly, and disinflationary trends are in evidence everywhere. While individual companies strive to find some sort of equilibrium at a reduced level of activity, national macroeconomic policies remain woefully out of step.

In the past, a situation of this kind would have drawn a rapid response from the "Group of 3" nations — America, Japan and Germany — which among them account for approximately half the world's gross economic output. This time, however, far from looking for ways of coordinating policy in put the world economy back on track, the governments of the world's three largest economies seem little interested in anything besides their own domestic economic problems.

The United States, currently struggling to overcome the effects of a massive debt overhang, is in no position to assume economic leadership. The American economy continues to recover, but the current annual growth rate of about 2

percent is far from impressive. It also falls short of the country's potential rate of growth. The new president cannot, moreover, be expected to turn the situation around overnight.

The problem thus centers on economic policy in Germany and Japan. It is particularly striking that these two countries appear to be moving virtually in unison. Although economic growth had all come to a standstill in both countries by mid-1992, real short-term interest rates remain high. Both countries continue, moreover, to maintain a tight grip on their respective monetary positions. The world's two largest creditor nations are thus clearly showing little interest in the desperate credit shortage that has developed around the world.

Germany is currently pinning all its hopes for economic growth in 1993 on nothing more or less than a strong export performance. Japan, meanwhile, is almost certain to run up a trade surplus in the area of

\$130 billion both this year and next and, in this sense, is also clearly looking to exports to keep its economy afloat.

Unless the "G-3" nations change their approach, the Western European nations that are currently breaking under the strain of lifeless real estate markets and increasing numbers of nonperforming loans will inevitably lose their capacity to persevere with the "hard currency option." At the same time, the recessionary conditions currently gripping Eastern Europe and Russia as they struggle with the transition to market-oriented economic systems will drag on, and this will inevitably heighten the risk of social unrest.

If America is suffering from a debt overhang, then there must obviously be other countries in the world nursing asset overhangs. These countries with financial surpluses surely have a duty to use these surpluses to expand their own economies and, in so doing, help buoy the world economy.

For Art Lovers, Borrowing to Buy Is an Exacting Science

By Aline Sullivan

RECESSION in Britain and the United States has dealt a heavy blow to one of the most colorful fund raising plays of the debt-bappy 1980s: Borrowing against the security of works of art.

Lenders who are prepared to accept works of art as collateral for loans have always been thin on the ground. Until recently, the few banks and auction houses willing to transact this business thought they had found a cozy niche. They benefited both from high margins on the loans and escalating art values.

Mitchell Zuckerman, president of Sotheby's Financial Services in New York, said the auctioneer's outstanding loan portfolio has shrunk from \$250 million in 1989 to \$175 million at the end of September this year. He admitted to being a little surprised that more individuals had not approached Sotheby's when other sources of credit were exhausted.

The main reason for the reduction in Sotheby's loan portfolio, Mr. Zuckerman said, was the decline in the company's auction turnover. The two are linked because many of the loans the auction

house makes are so-called vendor loans: Advancing money for up to six months to people who plan to sell their works of art through Sotheby's.

Vendor loans, which usually require the art to be lodged with the lender, overcome the main problem usually associated with art as collateral — the borrower's ability to sell the art unbeknown to the lender. The loan simply bridges the gap between consignment of the work and the auction date.

But works of art locked in bank vaults defeat at least part of their purpose.

Seven years ago an ingenious plan devised by Sotheby's and London insurance brokerage Hogg Robinson, now Hogg Insurance Brokers, tackled this problem of art as collateral. The plan enabled works of art to stand security for bank guarantees, while remaining in their owners' homes.

Julian Radcliffe, a director of Hogg Insurance Brokers, acknowledged that the plan has not been a wild success. This may have less to do with its intrinsic merits than with the use to which the bank guarantees were to be put: Helping the art owners become investors in the Lloyd's of London insurance market.

Last year Lloyd's Names, as the investors are known, incurred underwriting losses of £1.5 billion (\$2.4 billion). To date, about 50 Names have participated in the Works of Art for Membership of Lloyd's plan. Mr. Radcliffe said Sotheby's has not had to force a sale of any of the works of art pledges, even though many Lloyd's Names are believed to face bankruptcy.

The only risk Sotheby's bears is that its valuation of the works of art may prove over-optimistic, or simply wrong. In that case Sotheby's could fail to recoup the value of the bank guarantee through the sale of the work of art. The firm would then be liable to the issuing bank.

This risk is slim, however. Sotheby's only lends up to 50 percent of its estimated selling price of the works of art. It has recently reduced that level to 40 percent in response to deteriorating values.

The risk that the works of art may not be available when required, because they have been sold or lost by the owner, is covered by insurance underwritten by Sun Alliance Insurance Company. In Britain and most other European countries loans secured against works of art is not like a mortgage on a house. Legally the lender cannot take a legal charge, or lien, over the works of art. Hence the need for insurance.

The situation is rather different in the United States. Mr. Zuckerman said. There, lenders can register a lien against a work of art. If the work of art is subsequently sold without the lender knowing, the buyer will not obtain title to it.

For this reason, borrowing against works of art is more popular in the U.S. than in Europe. However, auction advances are standard loans using works of art as collateral are available in both the U.S. and Europe through a number of sources, including Sotheby's, Citibank, and Rosenthal, a private finance company in New York.

Lenders say their clients include individuals who are unable to borrow more on their house or other property and those who simply

want to add to their art collection without staking their other assets as security.

Raising funds through art related loans isn't cheap, however. Christie's charges four percentage points above the British base rate for advances of up to six months. In the United States, Sotheby's charges between three of four points over the prime rate, depending on the structure of the loan.

Cathy Bouckley, director of Citibank's Art Advisory Service in New York, said the bank won't make a loan using art as collateral for less than \$2 million.

"It is very capital-intensive to structure the loans," said Ms. Bouckley. "They require valuations and a lot of documentation." Citibank, which began lending against art in 1979 as part of its private client services, employs five art historians in New York. The bank presently has about 100 outstanding loans worldwide. She declined to say if their value had dropped in recent years.

Borrowers who want to raise smaller amounts of money can apply for a loan to Art Funding Corporation, a small private finance

company in New York. Bruce Miller, who heads the company, said most of the company's 200 outstanding loans are worth between \$75,000 and \$100,000 but is willing to consider lending as little as \$15,000.

The interest rates he charges are high — up to 20 percent, or almost twice that charged by Sotheby's or Christie's. Like the auction houses, Mr. Miller's lending policy has become more conservative in recent years. He will only make loans for about 30 percent of the work's estimated value.

"The turnaround time on sales is slower," said Mr. Miller. "Lenders have to be careful in choosing their clients now. You don't want to add water to a sinking ship." A few years ago, he used to make advance loans in exchange for an equity stake in the work of art. Declining art values put an end to that, he said.

Sotheby's won't make an outright loan of less than a million dollars and prefers to have several works as collateral, said Mr. Zuckerman. The risk in lending against only one work is a lesson the auc-

tion house has learned the hard way.

Between 1988 and 1990 Sotheby's provided loans to individuals buying substantial works of art at their auctions. This plan came to an ignominious end after Australian investor Alan Bond bought the Van Gogh's "Irises" for a record \$53.9 million, largely with the aid of a bank loan and money fronted by Sotheby's. The Sotheby's loan was secured on the painting. When Bond's financial empire collapsed, Sotheby's was forced to sell the painting at a loss.

Philip Hoffman, finance director at Christie's in London, said Christie's only makes advances against sale proceeds. It currently has about £20 million in outstanding loans to clients based on advances of between 25 and 40 percent of the selling price expected on their works. The minimum advance available is £15,000.

"It certainly has been a deliberate policy not to expand our lending," said Mr. Hoffman. "We are an auction house. There would be a conflict of interests if we funded both parties."

Best Performing Mutual Funds. Over one month to December 1, 1992. Over one year to December 1, 1992. Over five years to December 1, 1992. Includes a list of various mutual funds and their performance metrics.

No. 1 OFFSHORE COMPANY SPECIALISTS. Professional formation, Full Accounting and Administration Services available at reasonable cost. Includes a list of countries and services offered.

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GO LONG IN BONDS. OUR EXPERTISE. IN BONDS. RUNS DEEPER. Includes a list of various bond funds and their performance metrics.

NYSE

Friday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

Stock Bid Ask Last Net High Low

Stock	Bid	Ask	Last	Net	High	Low
IBM	100.00	100.00	100.00	0	100.00	100.00
GE	40.00	40.00	40.00	0	40.00	40.00
MSFT	35.00	35.00	35.00	0	35.00	35.00
AMZN	18.00	18.00	18.00	0	18.00	18.00
GOOG	25.00	25.00	25.00	0	25.00	25.00
ORCL	30.00	30.00	30.00	0	30.00	30.00
INTL	15.00	15.00	15.00	0	15.00	15.00
DIS	20.00	20.00	20.00	0	20.00	20.00
WMT	12.00	12.00	12.00	0	12.00	12.00
CVX	45.00	45.00	45.00	0	45.00	45.00
XOM	35.00	35.00	35.00	0	35.00	35.00
BP	25.00	25.00	25.00	0	25.00	25.00
AROC	18.00	18.00	18.00	0	18.00	18.00
MRK	30.00	30.00	30.00	0	30.00	30.00
PFE	20.00	20.00	20.00	0	20.00	20.00
ABB	15.00	15.00	15.00	0	15.00	15.00
BA	40.00	40.00	40.00	0	40.00	40.00
GM	25.00	25.00	25.00	0	25.00	25.00
Ford	18.00	18.00	18.00	0	18.00	18.00
Chrysler	15.00	15.00	15.00	0	15.00	15.00
Stellantis	12.00	12.00	12.00	0	12.00	12.00
Mercedes	10.00	10.00	10.00	0	10.00	10.00
Volvo	8.00	8.00	8.00	0	8.00	8.00
Subaru	7.00	7.00	7.00	0	7.00	7.00
Toyota	6.00	6.00	6.00	0	6.00	6.00
Honda	5.00	5.00	5.00	0	5.00	5.00
Nissan	4.00	4.00	4.00	0	4.00	4.00
Mazda	3.00	3.00	3.00	0	3.00	3.00
Suzuki	2.00	2.00	2.00	0	2.00	2.00
Isuzu	1.50	1.50	1.50	0	1.50	1.50
Mitsubishi	1.00	1.00	1.00	0	1.00	1.00
Infiniti	0.50	0.50	0.50	0	0.50	0.50
Lexus	0.25	0.25	0.25	0	0.25	0.25
Scion	0.10	0.10	0.10	0	0.10	0.10
Acura	0.05	0.05	0.05	0	0.05	0.05
Subaru	0.02	0.02	0.02	0	0.02	0.02
Toyota	0.01	0.01	0.01	0	0.01	0.01
Honda	0.00	0.00	0.00	0	0.00	0.00
Nissan	0.00	0.00	0.00	0	0.00	0.00
Mazda	0.00	0.00	0.00	0	0.00	0.00
Suzuki	0.00	0.00	0.00	0	0.00	0.00
Isuzu	0.00	0.00	0.00	0	0.00	0.00
Mitsubishi	0.00	0.00	0.00	0	0.00	0.00
Infiniti	0.00	0.00	0.00	0	0.00	0.00
Lexus	0.00	0.00	0.00	0	0.00	0.00
Scion	0.00	0.00	0.00	0	0.00	0.00
Acura	0.00	0.00	0.00	0	0.00	0.00

Chrysler's shares fell 1.5 percent to 12.75 in New York, as investors reacted to reports that the company was considering a merger with Ford. The deal would create a new automotive giant, but it has been met with skepticism from shareholders and analysts.

General Motors also saw a decline, with its stock dropping 0.5 percent to 24.50. The company's performance in the third quarter was disappointing, leading to a loss of confidence among investors.

Meanwhile, Ford's shares rose 0.2 percent to 18.25, as investors bet on a recovery in the company's fortunes. The company's strong performance in the truck and SUV segments has helped to offset its struggles in the car market.

The automotive sector as a whole was volatile, with many other manufacturers seeing significant price swings. Toyota, Honda, and Nissan all saw gains, while Mazda and Suzuki fell.

The automotive industry is facing a challenging environment, with declining sales and increasing competition. Many manufacturers are looking for ways to streamline operations and improve efficiency.

Chrysler's potential merger with Ford is a key development in the industry. It could lead to significant cost savings and a stronger competitive position. However, the deal is still in the early stages, and there are many uncertainties.

General Motors is also working to improve its performance. The company has announced several cost-cutting measures and is focusing on its core strengths. Investors are watching closely to see if these efforts will lead to a turnaround.

The automotive sector is expected to remain volatile in the coming months. Investors should keep an eye on the latest news and developments in the industry.

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MARKET DIARY

Storm-Tossed Street Ignores Strong Data

Compiled by Our Staff From Dispatches NEW YORK — U.S. stocks shrugged off fresh positive news about the economy and closed lower Friday for a third straight session.

The Dow Jones industrial average declined 8.11 to 3,304.08. Declining common stocks outnumbered advancing issues by 8 to 7 on the New York Stock Exchange.

Trading totaled 166 million shares on the Big Board. Trading was less active than usual because of bad weather.

The storm in the Northeast definitely affected the market, said Ricky Hartung, director of investment policy at Marmon Banc Securities.

The severe storm lashed buildings and flooded roads and shorelines along the East Coast. With many traders unable to get to work because of commuter-train disruptions and bus delays, trading in U.S. Treasuries was ended at 1 P.M., about four hours early.

The New York Mercantile Exchange, where oil futures are traded, opened an hour late. Flooding in lower Manhattan forced several brokerage firms to evacuate their offices.

The Nasdaq Combined Composite index fell 3.15 to 653.78. The slide was led by Novell Inc., Microsoft Corp. and Intel Corp. amid

concerns about the earnings outlook and negative comments from leading analysts on Wall Street. The Nasdaq composite fell the last three days after rising 16 percent to the past two months.

The economic news remains positive. The Commerce Department said retail sales increased 0.4 percent in November. The University of Michigan said consumer confidence rose to its highest level since April 1990. In addition, inflation is low. The Labor Department said consumer prices rose 0.2 percent in November.

Novell slumped 3/4 to 27 1/2 after several Wall Street analysts lowered ratings following the company's release of disappointing fourth-quarter earnings.

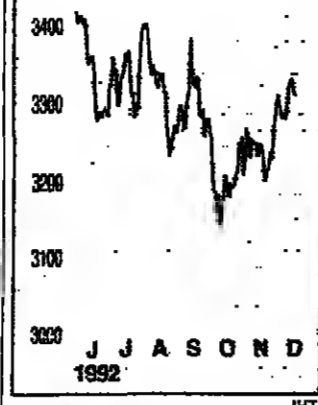
Microsoft declined 2 1/2 to 86 1/2 on reports that antitrust lawyers at the Federal Trade Commission may seek a court order barring the software maker from certain sales practices.

President Riverboat, which operates gaming riverboats in Iowa and Mississippi, rallied 6 above the company's IPO price of \$18.50 share. Hagar, the CEO's suits and slacks manufacturer, rose 2 1/2 above its IPO price of \$16.50 and Maybelline, the cosmetics company, advanced 3/4 above its IPO price of \$23.50.

The Dow

Daily closings of the Dow Jones industrial average

3300



J J A S O N D 1992

Dow Jones Averages

Table with columns: Open, High, Low, Last, Chg. Rows include: Industrials, Transp., Finance, SP 500, NYSE Comp.

Standard & Poor's

Table with columns: High, Low, Close, Chg. Rows include: Industrials, Transp., Finance, SP 500.

NYSE Indexes

Table with columns: High, Low, Close, Chg. Rows include: Composite, Industrials, Finance, Utilities, Energy.

NASDAQ Indexes

Table with columns: High, Low, Close, Chg. Rows include: Composite, Industrials, Finance, Utilities, Energy.

AMEX Stock Index

Table with columns: High, Low, Close, Chg. Rows include: High, Low, Close, Chg.

Dow Jones Bond Averages

Table with columns: High, Low, Close, Chg. Rows include: 30 Bonds, 10 Yr, 10 Yr, 10 Yr.

Market Sales

Table with columns: NYSE 4 a.m. volume, NYSE 9 a.m. volume, NYSE 4 p.m. volume, NYSE 9 p.m. volume.

N.Y.S.E. Odd-Lot Trading

Table with columns: Buy, Sell, Shares. Rows include: Dec 11, Dec 10, Dec 9, Dec 8.

S&P 100 Index Options

Table with columns: Call, Put, Open, High, Low, Last, Chg. Rows include: Dec 12, Dec 11, Dec 10, Dec 9.

EUROPEAN FUTURES

Close High Low Last Settle Chg.

Food

Table with columns: High, Low, Last, Settle, Chg. Rows include: SUGAR (NOX), SOYBEAN OIL.

Metals

Table with columns: High, Low, Last, Settle, Chg. Rows include: ALUMINUM (3MO), COPPER (3MO).

Industrials

Table with columns: High, Low, Last, Settle, Chg. Rows include: GASOLIN (15PT), CRUDE OIL (15PT).

U.S. FUTURES

Season Season Open High Low Close Chg.

Grains

Table with columns: High, Low, Last, Settle, Chg. Rows include: WHEAT (CBT), SOYBEAN MEAL (CBT).

Metals

Table with columns: High, Low, Last, Settle, Chg. Rows include: SILVER (COMEX), GOLD (COMEX).

Livestock

Table with columns: High, Low, Last, Settle, Chg. Rows include: FEEDER CATTLE (CME), HOGS (CME).

Financial

Table with columns: High, Low, Last, Settle, Chg. Rows include: U.S. TREASURY (CBT), U.S. TREASURY (CBT).

Food

Table with columns: High, Low, Last, Settle, Chg. Rows include: COFFEE (NYMEX), SUGAR (NYMEX).

Spot Commodities

Table with columns: Today, Prev. Rows include: Aluminum, Copper, Iron.

Dividends

Table with columns: Company, Per Amt, Pay Rec. Rows include: Amgen, Amgen, Amgen.

Data Show Growth Without Inflation

NEW YORK (IHT) — Retail sales and confidence data for November indicated Friday that consumers were still powering the U.S. economic recovery, which was chugging along with low inflation.

The Commerce Department said retail sales rose 0.4 percent in November and that October was stronger than previously reported. Sales growth was revised upward 1 percentage point, to 1.9 percent, the sharpest growth since January.

At the same time, the University of Michigan's preliminary survey of consumer confidence for December shot up to 91.4 from 85.3 in November. This surge in optimism added weight to the belief that the recovery would be sustained and not fall off as it has twice in the past two years, said Edward Yardeni of C.J. Lawrence & Co. He said real consumer spending could rise as much as 5 percent this quarter, pushing up economic growth up to twice as much as forecast.

The consumer price index, meanwhile, rose 0.3 percent last month. The core rate, which excludes food and energy, rose 0.2 percent and it was held down by slow growth in housing costs reflecting low house prices and rents. "The Fed must love these data. They show the economy is recovering and inflation is not," said Ward McCarthy of Stone & McCarthy Research Associates.

Mellon Buys Bank, Plans Stock Sale

WASHINGTON (Combined Dispatches) — Mellon Bank Corp. said Friday it had paid \$181 million to buy about \$2.5 billion in assets of the failed Meritor Savings Bank in a transaction aided by the Federal Deposit Insurance Corp.

Mellon said it would sell about \$250 million of common stock and \$200 million of preferred to finance the deal, and its purchase of Boston Co. The FDIC will retain about \$1.4 billion of Meritor's assets and provide Mellon with credit-loss protection. Mellon said it would take a restructuring charge of about \$15 million in the fourth quarter for the deal, which will be partly offset by unrelated, nonrecurring revenue. (Bloomberg, Reuters)

Time Offers Hasbro-Linked Notes

NEW YORK (Reuters) — Time Warner Inc., following up on its pledge to sell or swap \$3 billion of assets to reduce debt, said Friday it was offering 10-year notes that would allow investors to profit from a rise in Hasbro Inc. stock, of which Time owns 12 million shares.

Time offered \$1.5 billion face value of notes, priced at \$292.04 per \$1,000 of face value to yield 6.25 percent. The notes can be converted into Hasbro shares at a premium of 21.2 percent over Hasbro's closing price Thursday of \$33. The shares fell 67.5 cents Friday to \$32.12. If Merrill Lynch & Co. exercises an option to buy an additional \$15.5 million of the notes, Time's proceeds from the issue will be \$480 million.

For the Record

Bolar Pharmaceutical Co., which paid a record \$10 million fine after pleading guilty to selling adulterated and mislabeled generic drugs, said its president and co-founder, Lawrence Raisfeld, would resign effective Jan. 31.

ERM: More Intervention Is Needed

(Continued from first finance page) reflected in the pressure on the ERM," said Peter Guttman, senior research manager at National Westminster Bank.

The Bundesbank president, Helmut Schlesinger, expressed doubt about the Community's goal of monetary union.

In a speech prepared for delivery in Thailand, Mr. Schlesinger said

Foreign Exchange

the goal of having a single currency by 1999 was "rather ambitious, adding that only two to three countries — Germany out among them — currently met the economic standards for currency union.

Mr. Schlesinger had helped stoke pressure within the exchange-rate mechanism on Thursday by ruling out any chance of a quick cut in German rates. Those rates were the main factor driving the pound and the lira out of the exchange-rate mechanism, and forcing devaluations by Spain, Portugal, Sweden and Norway to rejoin.

An analyst at IDEA in New York said the Bundesbank intervened actively on Friday to demonstrate that it was not indifferent to the fate of the franc.

Dealers in New York estimated that the Bank of France spent around 30 billion francs (\$5.6 billion) in intervention this week to defend its currency. One dealer said the intervention was only "at small levels during the first two days of the week because of the thin market volumes but picked up yesterday and today."

"The sort of intervention we've seen today certainly can't go on indefinitely, so either the EC comes up with something at the Edinburgh summit or the system will have to be realigned again," said Ian Amstad, economist at Bankers Trust in London.

The dollar, meanwhile, also was marginally weaker in New York, closing at 1.5780 DM versus 1.5793 Thursday. It edged up to 123.87 yen from 123.65 after a dismal quarterly survey from the Bank of Japan showing business confidence at its lowest ebb since 1975.

This contrasted markedly with the United States, where retail sales were reported to have risen 0.4 percent in November while October's gain was revised sharply higher to 1.9 percent from 0.9 percent.

"The ERM and year-end caution are conspiring to keep the dollar under wraps," Mr. Amstad said. "But the U.S. picture is getting so bright, the dollar will have to wear shades come the new year." (Reuters, AFP, Bloomberg)

STEEL: Klöckner Seeks Protection

(Continued from first finance page) with British Steel and the Italian steelmaker Iva.

But other analysts said that if Klöckner, which makes around 3 million metric tons of steel a year, ceased steel production, it would be better off for competitors.

"A capital reconstruction will allow Klöckner to remain in business, but capacity needs to be taken

out somewhere," said David Morgan, steel analyst at Lehman Brothers International in London.

Klöckner-Werke stressed that its machine-building and plastics subsidiaries, which account for two-thirds of its revenue of 7.1 billion DM a year, were still profitable and were not affected by the bankruptcy move.

(AP, AFP, AFX, Bloomberg, Reuters)

WORLD STOCK MARKETS

Amsterdam, Brussels, Frankfurt, London, Madrid, Milan, Singapore, Stockholm, Toronto, Zurich

Table of world stock markets with columns: Country, Index, Open, High, Low, Last, Chg. Rows include: Amsterdam, Brussels, Frankfurt, London, Madrid, Milan, Singapore, Stockholm, Toronto, Zurich.

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EFTA Puts Future in Swedish Hands

By Robert L. Kroon
Special to the Herald Tribune

GENEVA — The European Free Trade Association, responding to the Swiss rejection of a European free-trade area, said Friday that Sweden would take the place of Switzerland as the group's representative in a bid to complete a trade accord with the European Community by July.

EFTA put itself on a potential collision course with the Community, however, by saying it would seek a big reduction in the 2 billion European Currency Units (\$2.5 billion) the group was supposed to contribute to spur development in Spain, Portugal, Ireland and Greece, the poorest EC members.

The decision at an EFTA ministerial meeting to appoint Sweden to the group's rotating six-month presidency starting Jan. 1 will allow work to proceed "full speed ahead" on creating the European Economic Area, said Hans-Joerg Renk, an EFTA spokesman.

"We are now determined to negotiate the necessary changes with the Community as quickly as possible and get the agreement into force by July 1, and certainly not later," said Ulf Dinkelspiel, Sweden's incoming EFTA president, Reuters reported.

Switzerland was to have taken on the EFTA presidency in January, but the Swiss renounced the post at the opening of the group's meeting on Thursday, saying they could not carry out the job after Swiss voters rejected participation in the European Economic Area last Sunday.

An agreement to set up the area, a free-

trade zone covering the Arctic to the Mediterranean, was initiated in April. The area was to have come into effect on Jan. 1 before the Swiss vote pushed back the timetable.

To meet the new July 1 target, a substantial part of EFTA's permanent secretariat will be

Despite Swiss rejection, EFTA is going 'full speed ahead' toward a trade area with the European Community.

transferred from Geneva to Brussels to work out a set of modifications in the EEA treaty following the Swiss defection.

The most controversial could be EFTA's demand to reduce the "solidarity fund," the group's planned contribution to the poorer EC states. Those states have come out against any reduction in the fund.

Prosperous Switzerland would have been the biggest contributor to the fund with a 27 percent share. Without the Swiss contribution, EFTA ministers said they hoped Brussels would accept a sharply reduced "contribution fee" into the economic area.

"If you reduce the circle, you have less money to spend and we have indications

from Brussels that they, too, think that is logical," Mr. Renk said.

EFTA officials said the July 1 target also could accommodate changes that might have to be made if Liechtenstein, which has a customs union with Switzerland, also rejected the economic area in a referendum this weekend. Of the other EFTA members, Austria, Sweden, Finland and Norway have already ratified the EEA treaty and Iceland is expected to do so shortly.

Jean-Pascal Delamuraz, the dejected economics minister who spent most of this year negotiating Switzerland's proposed membership in the economic area as well as the European Community, won a consolation prize of sorts when his colleagues decided to set up EFTA's new arbitration court in Geneva.

Said Mr. Delamuraz, "I don't see the referendum result as a self-inflicted national catastrophe, which has relegated Switzerland to a dead-end road in Europe." In the aftermath of the vote, which has plunged the country into a soul-searching identity crisis, even some of the anti-European Swiss German majority seem to harbor second thoughts.

A poll by the Zurich daily Tagesanzeiger showed 63 percent of the electorate in favor of a new referendum, perhaps in two or three years.

"We are not withdrawing our application for full EC membership," Mr. Delamuraz said. "But it is fair to say we will have to put it into the freezer for the short and medium term. We were braced for negative reactions from our European partners. The reaction was even more brutal than we imagined."

U.K. Inflation Sets Stage for Rate Cuts

Compiled by Our Staff From Dispatches

LONDON — Britain's inflation rate fell to a six-year low of 3 percent in November, giving the government scope to cut interest rates further to haul the economy out of its two-year-long recession, economists said Friday.

The government said retail prices fell 0.1 percent in November from October. The year-to-year inflation rate was down from 3.6 percent in October and was the lowest since a similar 3.0 percent rate was achieved in October 1986.

The underlying inflation rate, which excludes the impact of mortgage rates and is in line with figures reported by most other major countries, fell to 3.6 percent from 3.8 percent in October.

The figures were better than analysts' forecasts, which had been for an inflation rate of 3.2 percent and an unchanged underlying rate.

"Today's figure suggests to me that the government can afford to treat recovery as the main priority," said Neil Williams, senior economist at Daiwa Europe. "I don't see the inflationary flame being rekindled until the middle of '93."

The government already has brought down bank base lending rates, the key short-term rate for

the economy, by three percentage points to 7 percent since withdrawing the pound from Europe's exchange-rate mechanism on Sept. 16.

The chancellor of the Exchequer, Norman Lamont, on Thursday ruled out any quick reduction of rates, saying the impact of previous cuts had not yet been fully felt. But on Friday he hailed the inflation figures as "very welcome news," and noted that the underlying rate was well within the 1-4-4 percent target range he set in October.

The Treasury pointed out that underlying inflation was now below that of Germany for the first time since 1968.

Although downward pressure on inflation was expected to bring the overall inflation rate down further, perhaps below 2 percent, economists say the pound's devaluation of nearly 15 percent since it was allowed to float will push up import prices.

Lower mortgage rates in the wake of the recent interest-rate cuts helped push the retail price index down in November. The price of motor vehicles also came down, but that was offset by higher prices on gasoline, tobacco and household goods. (Reuters, AFP, Bloomberg)

Investor's Europe				
Frankfurt DAX	London FTSE 100 Index	Paris CAC 40		
1900	2600	2100		
1700	2700	2000		
1500	2800	1900		
1400	2900	1800		
1300	3000	1700		
1200	3100	1600		
1100	3200	1500		
1000	3300	1400		
900	3400	1300		
800	3500	1200		
700	3600	1100		
600	3700	1000		
500	3800	900		
400	3900	800		
300	4000	700		
200	4100	600		
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Very briefly:

- Unilever NV will buy 70 percent of Slaskie Zaklady Przemyslu Tuszczewego, a state-owned Polish maker of edible fats and oils, for \$25 million in cash and assumed debt, and will invest \$14 million more over three years. Unilever bought a Polish detergent company in June.
- Guinness PLC's stock touched its year's low of 472 pence (157.36) before closing at 478, down 3 pence; the shares fell 4 pence on the two previous days after managers warned of weak results in the current financial year.
- Kvaerner Industriell A/S said the effective devaluation of the Norwegian krone would give it an unrealized exchange-rate loss of 150 million to 200 million kroner (\$22.1 million to \$29.5 million) on its 1992 accounts, mostly related to long-term dollar debt on its shipping business.
- Allgemeine Finanzgesellschaft AG's majority shareholder, the Swiss executive Klaus Jacobs, sold the company 75,000 shares in Asko Deutsche Kaufhaus AG, bringing its stake in the German retailer to 87,000 shares, or 2.6 percent.
- Deutsche Bundespost Telekom's supervisory board approved creation of Ematecom BV, an Amsterdam-based telecommunications venture with France Telecom that is to offer global telecommunications services.
- Bayerische Motoren Werke AG said a slight decline in German sales in 1992 would be compensated for by growth in U.S. demand, to 65,000 cars this year, up from 53,000 in 1991. (Reuters, AFP, Bloomberg)

Swiss to Loosen the Monetary Reins

ZURICH — Switzerland's independent central bank pledged on Friday to help a domestic economy mired in recession by letting money supply grow again, reversing the contraction of the past 12 months.

The Swiss National Bank predicted that "seasonally adjusted central bank money supply growth will temporarily overshoot the medium-term target in the foreseeable future." The bank said the extra liquidity should enable interest rates to fall further next year.

The central bank predicted that the economy would show no growth next year, after contracting 0.2 percent this year according to most estimates.

Over the past year the money supply has contracted by about 1 percent, bringing the SNB far from its medium-term policy, reaffirmed on Friday, of average annual 1 percent money growth over three to five years.

BULLS: A Quiet Riot of a Year for Wall Street Stocks

(Continued from page 1)

pension plans, which bought an average of \$3.5 billion worth of stock each quarter from 1982 through 1989, have cut those purchases in half.

On the other hand, mutual funds, which bought an average \$14 billion of stock each quarter in the 1980s, have been buying at a \$40 billion-per-quarter clip in the current decade.

"During the 1980s, people who trade odd lots were net buyers on less than 1 percent of all trading days," Mr. Birinyi added. "This year, that odd-lotter has been a net buyer more than 50 percent of the time." Odd-lot trades are stock transactions of fewer than 100 shares, often undertaken by individuals.

A. Marshall Acuff, chief equity strategist at Smith Barney, Harris Upham & Co., said: "It became apparent by August that cash positions at mutual funds had begun to grow. The money was available, and those cash levels were maintained through October. And anecdotally, I hear from some funds

they are struggling to get that money to work."

Confronted with the lowest interest rates in two decades, individuals have been shifting out of money market funds and certificates of deposit and into stock and bond funds all year.

But analysts said that investor behavior changed somewhat this fall, and that the election of Bill Clinton as president in November had a lot to do with it.

Michael J. Hines, senior vice president in marketing at Fidelity Investments, said discussions with focus groups of potential investors earlier this year were strikingly similar to ones held four years earlier.

"What we are seeing is very reminiscent to what happened in 1988," Mr. Hines said. "What people were doing then and did again this year was wait until they saw what happened in the election. This year the idea of change inherent in Clinton's victory was viewed as a very positive thing."

After the election, a monthly poll of investor attitudes conducted for Fidelity by the University of Michigan jumped 11 points in November,

to its highest level since the early spring of 1991, Mr. Hines said.

In addition to the jump in confidence, analysts said newspaper articles noting that smaller companies tend to do better under Democrats appear to have contributed to the rise in the Nasdaq's composite index in recent months.

"A couple of headline-grabbing articles haven't hurt," said Chip Morris, an investment analyst for the \$1.5 billion New Horizons Fund at T. Rowe Price Associates.

The rise in the Nasdaq composite index has been impressive since October, but the recent run-up in prices of smaller companies is merely a continuation of a run that began at the end of September 1990. Since then, the Dow has risen by 35 percent. The Nasdaq, by contrast, has risen by more than 90 percent.

Analysts also have played a big role in triggering the rush to small stocks. Charles Clough, chief investment strategist at Merrill Lynch & Co., said he believed small stocks were underpriced, despite their appreciation.

Hungary Bows To Local Feeling On Privatization

Compiled by Our Staff From Dispatches

BUDAPEST — Hungary has adopted new tools to speed sales of state enterprises that are rapidly losing their value and to give domestic investors a better chance to take part in privatization, officials said Friday.

The new strategy marks a shift in Hungary's privatization drive that has until now sought to sell state enterprises for as much money as possible, primarily to foreigners.

The plan seeks to boost domestic demand by offering better terms on state-subsidized loans, allowing leasing deals on easy-payment terms and creating "credit tickets" that people can use to buy state property. Lajos Csepel, managing director of the State Property Agency, has described these tickets as a kind of credit card Hungarians can use to pay for state assets.

It stops short of the free distribution of assets adopted by other East European countries but reflects a much more liberal approach to selling off state companies.

Usinor-Sacilor to Cut 830 Jobs at Unimetal

Compiled by Our Staff From Dispatches

PARIS — Usinor-Sacilor, the French state-owned steel company, said it would give its Unimetal unit 1 billion French francs (\$185.6 million) as part of a restructuring that included the loss of 830 jobs.

The capital infusion will be used mainly to develop Unimetal's steel production unit in the Lorraine region of France, the company said. Unimetal said it expected to cut more than 2,000 jobs between now and 1994, including the 1994 closure of its unit in Normandy, where 1,300 people are employed. The company also will close a metal-casting unit in Thionville in 1994.

The restructuring plan will include production increases at two sites to 800,000 tons a year from around 500,000 tons, and the adaptation of two factories for railway-track production.

Separately, in Geneva, leading steelmaking nations agreed after two days of talks to meet again early in 1993 to try to forge a deal that would end subsidies, the top U.S. negotiator said.

But fundamental differences remain, particularly between the U.S. and European Community positions, according to Joe Papovich, deputy assistant U.S. trade representative for industry.

Voluntary agreements limiting steel exports to the U.S. market expired at the end of March, setting the scene for an international free-for-all. Earlier this month, the United States imposed countervailing duties of up to 59 percent on steel from 12 countries which it said were unfairly subsidizing exports. Usinor-Sacilor was hit with a duty equal to about 26 percent of its production costs. (Bloomberg, Reuters)

**REPUBLIC OF LEBANON
REHABILITATION OF THE POWER SECTOR
PRE QUALIFICATION OF CONTRACTORS**

For the rehabilitation of power, transmission and distribution facilities throughout Lebanon, the Republic of Lebanon has received a joint US\$ 110 million loan from the Arab Fund for Economic and Social Development and the Kuwait Fund for Arab Economic Development, US\$ 30 million equivalent from the Italian Government, and has applied for a US\$ 175 million from the International Bank for Reconstruction and Development (IBRD), part of which will be applied towards the costs of rehabilitation. Negotiations are underway with other donors to secure additional funding.

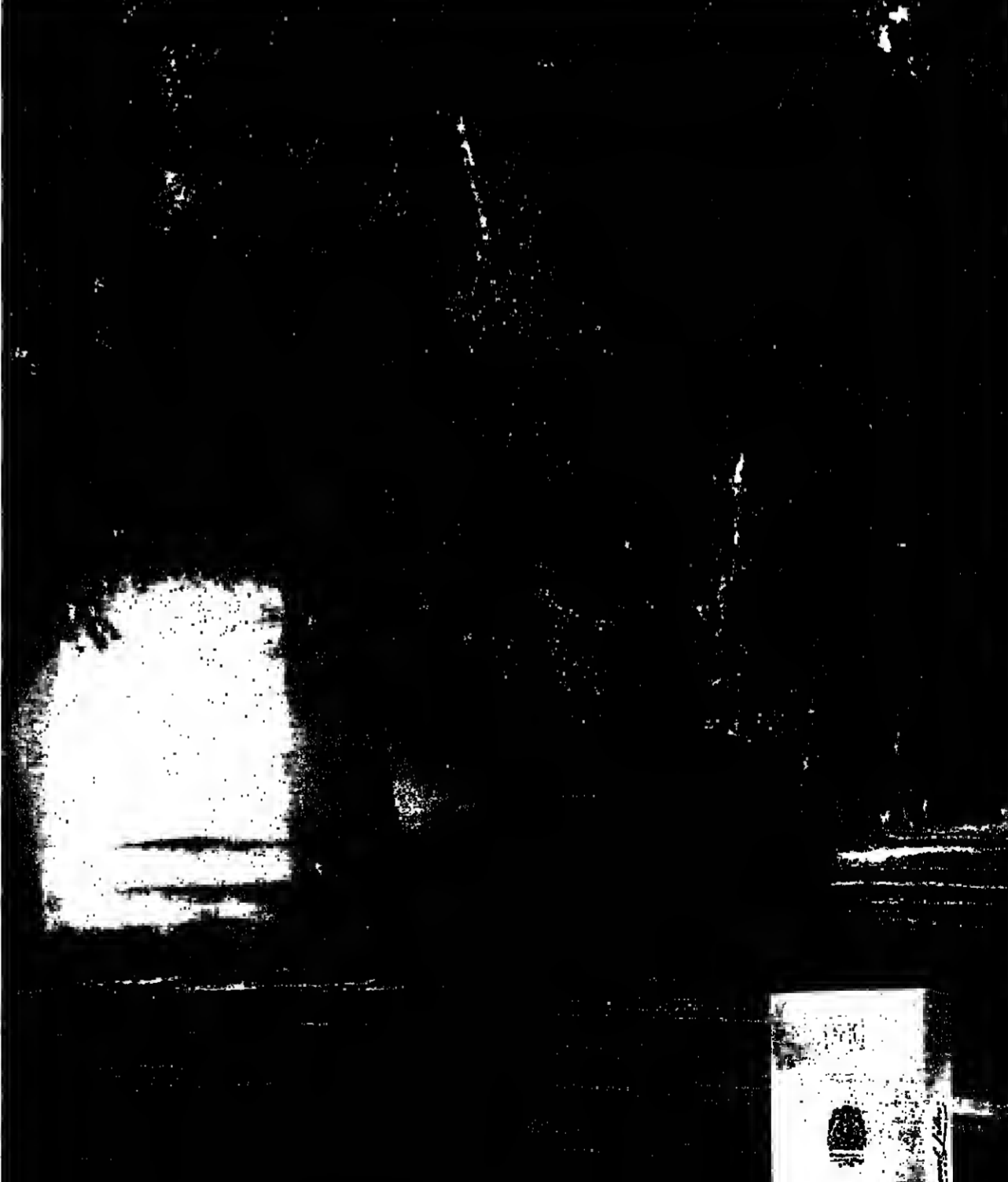
It is intended that the proceeds of the above loans will be applied to payments to prequalified contractors under contracts to be awarded for the following work packages:

- overhaul, repair and retrofitting of boilers, steam turbines and auxiliaries of the power stations of Zouk (3 x 140 MW and 1 x 170 MW), and Jieh (2 x 60 MW and 3 x 69 MW);
- overhaul repair and retrofitting of six gas turbines at Zouk (4 x 30 MW and 2 x 20 MW);
- reconstruction, repair and retrofitting of 66kv/33kv/11kv substations (about 30);
- reconstruction of 150 kV and 66 kV overhead lines and underground cables;
- reconstruction, repair and retrofitting of distribution networks (33 kV, 11kV and 0.4 kV lines substations) and consumer connections.

The works will be executed under the supervision of consultants appointed by Electricite du Liban/CDR under donors guidelines.

Due to the critical and urgent nature of the work packages the times allowed for bid preparation and, later, implementation at the works will be kept to a minimum. Therefore only contractors who are capable of working under tight schedules and controls need apply for prequalification and such ability will be expected to be demonstrated during the prequalification exercise. Reasons for not prequalifying any firm or consortia need not be given and no costs associated in prequalifying will be reimbursed. Invitations for bidding will only be sent to firms or consortia which are prequalified.

The Council for Development and Reconstruction (CDR) invites contracting forum or consortia interested in bidding for all of the packages, to obtain prequalification documents from the CDR, Beirut - Lebanon that will be available by December 3, 1992. Deadlines for submission of prequalification bids with all supporting material at the CDR offices in Beirut, Lebanon is 12:00 noon on December 21 1992.



TURN TO GOLD

Special Filter
ROBSON & MERRILL

ASIA/PACIFIC

In China, Security Cedes to Profits

WUHAN, China — China's first state-owned company to be taken over by a foreign concern has been revived by scrapping a cradle-to-grave security system for workers, and the turnaround has managers at other state factories watching with envy and trepidation. "We thought the plant would look like a woman with no make-up," Cheung Pan said of the Wuhan No. 2 Printing & Dyeing Works, which he Hong Kong-based company took over earlier this year. "We knew we could change things," he said. Wuhan No. 2 Printing was a textbook model for what has gone wrong with Chinese industry. High-quality machines imported in the 1970s lay idle because engineers were too lazy to fix them. Pay increased 10 percent to 15 percent each year even as the factory lost money. Nobody could be fired, or even disciplined. All the workers had to be housed, their children schooled and the sick looked after at factory expense. Not to mention the retirees. Buyers could not be found for its shoddy goods, and in its last three years under state control, the factory had losses of \$3 million and relied on bank bailouts to stay afloat. In 1990, the factory was named the fourth-worst enterprise in China. "It was bad," said Zhang Huayin, a Wuhan official who helped broker the deal. "Something had to be done quickly." The Shanghai-born Mrs. Cheung took charge of day-to-day management after her husband's company, Hongtex Development, took over 51 percent of Wuhan No. 2 earlier this year. At a single stroke she fired more than half the work force, put the rest on short-term contracts and abolished perks — smashing the so-called iron rice bowl that protects millions of Chinese workers. Mrs. Cheung's changes helped. She hired Hong Kong technicians to repair the machines and patch up the buildings, boosting monthly output by 40 percent in the first three months. Finding export markets in Southeast Asia and the United States through Hong Kong connections was also important. But it was smashing the iron rice bowl that did the trick. The work force was cut to 774 from 1,920 and Mrs. Cheung abandoned the retreat and perks — everything from theater tickets to tea money. Finally, work hours were increased from eight to 10 hours a day. Average monthly pay has more than doubled to about \$70 under an incentive system. None of this would have been possible without a visit to southern China by Deng Xiaoping in January, when China's paramount leader decreed that market-style innovations could be spread from booming coastal areas to the interior. Wuhan, on the middle reaches of the Yangtze river, was declared an "open city" a few months later. It can now offer tax breaks and other incentives to foreign companies. The Hongtex deal gave an important signal to would-be investors that ideology would not stand in the way of profits. Another 30 joint ventures are now in the pipeline. "It was a risk for us," said Lin Shouqing, head of Wuhan's Textile Bureau, which approved the sale. "But it has opened new avenues of foreign investment."

Orbital Engine Passes Emissions Test

MELBOURNE — Australia's Orbital Engine Corp., formed to commercialize the two-stroke engine technology developed by the inventor Ralph Strick, said Friday that it had passed U.S. emission-standards testing. Orbital said the engine showed emissions below the stringent California standards, after 800 miles (1,300 kilometers). The California standards will be phased in across the United States between 1994-96. Last week, Orbital's American subsidiary reports 40 percent to a high of \$20; they were trading Friday at \$18.25. In Australia, the share price at midday Friday was 3.18 dollars, up 10 cents on the day and a 28 percent increase in two weeks. Broken Hill Pty. is a major shareholder in Orbital.

Hyundai Acts To Cool Feud With Seoul

SEOUL — The Hyundai Group pulled back from confrontation with the South Korean government on Friday, withdrawing a threat to close after a police crackdown on its executives. "Despite certain difficulties, Hyundai will neither rest from work nor close down," the chairman, Chung Se Yung, said at a news conference. Business circles heaved a sigh of relief, discounting earlier fears that Hyundai's units such as Hyundai Heavy Industries Co. or Hyundai Motor Industries Ltd. would close down or deliberately default on debts in protest. Earlier this week, Hyundai threatened a stoppage after police started an investigation into alleged illegal company donations to Hyundai's founder, Chung Ju Yung, the chairman's brother, who is running in next week's presidential election.

A Boost for Thai Provinces

BANGKOK — The Thai government plans to spend \$2.2 billion in the current fiscal year to redistribute wealth to rural people and will attempt to draw private-sector investment to provinces outside Bangkok, officials said Friday. The \$2.2 billion equals 10 percent of total government spending for the year ending Sept. 30, 1993. Of the total, \$1.8 billion will be used for projects proposed by provincial administrations and approved by the central government. Prime Minister Chuan Leekpai and other officials said at a news conference. Provincial committees, which will include private-sector members, will decide on their own how to spend another \$280 million to develop water resources, additional income sources and environmental protection. Municipal and district authorities will be empowered to decide how to spend an allocation designed to increase the personal incomes of provincial people. These authorities will be given \$80 million. The government has set aside another \$40 million to create incentives so private businesses will find it profitable to invest in areas outside Bangkok. The prime minister said private companies that invested in rural areas would win government support for their applications for listings on the Thai stock market. The Chuan government came to office in October promising to redistribute wealth away from Bangkok, where per capita income growth has been far outpacing that of the rest of the country for years. In 1988, the latest year for which figures are available, residents of Bangkok and its suburbs earned 3.4 times the national average and 10 times the per capita income of the northeast, Thailand's poorest region. In the current Seventh National Development Plan the government aims to increase national per capita income from \$1,480 in 1990 to \$3,000 by the end of 1996. Mr. Chuan said he would also ask government-owned banks to open more provincial branches and provide more loans to rural borrowers. "We have to accept there are many constraints in the provinces," he said. "To draw people to invest there, we need to have concrete measures."

India Seen Getting Back on Track

BOMBAY — India's religious rioting has temporarily paralyzed business and banking and put the stock market into a tailspin, but business leaders and analysts said Friday that they expected the fallout to be only short-term as the immediate threat to the government appeared to have passed. "Things are settling down," said Carl Saldanha, head of Chase Manhattan Bank in South Asia. "Earlier fears that the government may fall have disappeared." Businessmen were heartened by the renewed commitment of Prime Minister P.V. Narasimha Rao to transforming India's state-dominated economy into a market-oriented one. At a New Delhi news conference, Mr. Rao said the setback to his reform program would be only temporary, noting that China continued with its market-oriented overhaul after the 1989 crackdown on pro-democracy demonstrators. "Yes, there will be some temporary setback because people will perhaps ask themselves whether such a situation would persist for a long time," he said. "It will not persist for a long time. It is only a matter of days before we come back to normal." Still, there have been costs. A backlog of exports worth 2.0 billion rupees (\$69 million) has accumulated at Bombay's port and factories because of a lack of transportation. The Bombay Stock Exchange index, which plunged 146.64 points to 2,550.22 when the market reopened Thursday, dipped another 16 points to 2,534.22 on Friday. Economists said the riots will delay economic recovery as businesses postpone investment decisions. Also, they said a short-term rise in food prices because of the riots could set back government efforts to curb inflation, which has been brought down to 8.2 percent.

ASEAN: Closer EC Union Worries Southeast Asians

(Continued from first finance page) effect at the end of the year had virtually no justification. But in an interview, Mr. Pauly said that East Asian exporters could suffer significant losses if EC countries decided to head off mass migration from economically depressed nations of Central and Eastern Europe. "The easiest way for the EC to help places like Poland, Hungary, Romania, Czechoslovakia and Bulgaria is not to send aid but to give them market access for manufactured goods by tightening external barriers against other suppliers." This would hit directly competitive exporters in East Asia, such as China, South Korea, Taiwan and Thailand. Mr. Pauly said that easing entry into the Community for farm products from Central and Eastern Europe would result, "competition for scarce capital may result in some diversion of investment" away from the Asia-Pacific region. Most ASEAN nations have reported substantial falls in foreign investment in 1992. Investment from the West, Japan and the newly industrialized economies of East Asia — Taiwan, South Korea, Singapore and Hong Kong — has been a major stimulus to growth in ASEAN over the last decade. However, Mr. Ho said that many more developing countries, from Latin America to India, were adopting liberal and outward-looking policies in an effort to stimulate economic growth. "All of these, together with the opening up of China, point to a scramble for scarce global capital," he said.

Investor's Asia

Table with columns for Exchange, Index, Friday Close, Prev. Close, and % Change. Rows include Hong Kong Hang Seng, Singapore Straits Times, Tokyo Nikkei 225, etc.

Very briefly:

- ADI Corp., one of Taiwan's biggest computer makers, said it planned to buy a 51 percent stake in the Hong Kong-based trading house Tait & Co. terms were not disclosed, but Tait is reportedly capitalized at 1 billion Hong Kong dollars (\$129 million).
• Japanese banks increased lending by 2 percent in November from a year earlier, the lowest year-to-year increase ever, the Bank of Japan said.
• Japan will raise the maximum penalty on anti-cartel violations to 100 million yen (\$806,000) from 5 million yen, officials said; consumer groups complained that the ceiling approved by the Diet was far below the Fair Trade Commission's proposed maximum of several hundred million yen.
• China will crack down on unauthorized foreign-currency trading by domestic and foreign companies, the Xinhua news agency reported.
• South Korea said trade with the North fell 54 percent in November, to \$13.5 million, from \$29.6 million in November 1991, reflecting deteriorating ties between the two nations.
• Cheongnam Spinning Co., South Korea's largest cotton-yarn manufacturer, lost about half of a big spinning plant in a fire with damage estimated at several million dollars, Korea Broadcasting System reported.

Taiwan to Open Market Door Wider

TAIPEI — Taiwan plans to allow more foreign institutions to join its stock market as part of a financial liberalization drive, market officials said Friday. The Securities and Exchange Commission has decided to open the market to overseas securities brokers with a minimum \$150 million net value and ease application requirements for banks, insurance firms and fund managers, the officials said. The move, which needs the approval of the central bank, is meant to boost a depressed market. The SEC has proposed doubling the ceiling of stock investment by each foreign institution to \$100 million, the officials said. Foreign institutional investors have channeled \$1.44 billion in stock funds into Taiwan since the market was opened to them in January 1991, a far cry from the \$2.5 billion ceiling set by the SEC. In another development Friday, the Industrial Development Bureau said it would allow Taiwan computer makers to establish factories on the Chinese mainland as a way of reducing their costs. Companies making software and low-end products such as personal computers, monitors and keyboards will be permitted to invest in China. Makers of sophisticated computer products will still be barred. Taiwan's exports of personal computers, monitors and other computer products are forecast to rise to more than \$7 billion this year, from \$6.5 billion in 1991.

AMEX

Friday's Closing

Tables include the nationwide price up to the closing on Wall Street. Not reported elsewhere. Via The Associated Press

Table with columns for 12 Month, Div, Yield, P/E, High, Low, P.A.M. Change. Rows include various stocks like A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

Table with columns for 12 Month, Div, Yield, P/E, High, Low, P.A.M. Change. Rows include various stocks like A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

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Table with columns for 12 Month, Div, Yield, P/E, High, Low, P.A.M. Change. Rows include various stocks like A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

SPORTS FOOTBALL

Redskins Ready for Cowboys, But Can They Hold That Line?

New York Times Service
COWBOYS (11-2) at REDSKINS (8-5)
 Key stat: Cowboys in season-opening victory gained 390 yards against Washington and outtrusted Redskins, 174-75. Comment: Washington in its first 12 weeks used eight different offensive line combinations. In the last two weeks it has started the same offensive line for the first time since Weeks 7 and 8. This has helped the Redskins beat Phoenix and the Giants by a combined score of 69-13. With its line intact and at RFK, the Redskins are primed for the Cowboys. Watch the Michael Irvin-Darrell Green

NFL MATCHUPS

matchup. Irvin has won it easily in recent games but this time Green will get more help from safety Brad Edwards as Washington edges closer to a wild-card berth. The Redskins are favored by 3 points.

BRONCOS (7-6) at BILLS (9-4)
 Key stat: Broncos are being outtrashed an average per game of 123.8 yards to 94.7 and have been outscored in rushing touchdowns by 18 to 14. Comment: Buffalo has dropped consecutive games to Indianapolis and to the Jets and has temporarily lost the AFC home-field edge in the playoffs to Pittsburgh. When the Bills sink is shipping, it is Thurman Thomas that often plugs the gaps with his combination of running and receiving skills. Bills by 14.

GIANTS (5-9) at CARDINALS (3-10)
 Key stat: Giants have won nine straight vs. Phoenix; Cardinals are 2-14 in December games since 1988. Comment: Both teams have struggled all season and both have four-game losing streaks. The Giants allowed 27 or more points in each of their last four games and the Cardinals allowed 68 points in their last two games. Not much defense here. Cardinals by 4.

FALCONS (5-8) at BUCCANEERS (4-9)
 Key stat: Falcons are 0-6 in road games and allow more than 34 points per game on the road; Buccaneers have lost eight of nine. Comment: Atlanta is 2-3 since Billy Joe Toller and Wade Wilson replaced injured Chris Miller at quarterback. There simply isn't much bang in the Falcons' Red Gun offense without Miller pulling the trigger and the defense has fallen miserably in turnover production compared to last year's playoff season. Tampa Bay is playing poorly and its team unity and confidence is shot. Pick 'em.

BROWNS (7-6) at LIONS (3-10)
 Key stat: Browns scored a season-high 37 points in beating Cincinnati last Sunday; Lions allowed a season-high 38 points in loss to Green Bay. Comment: These teams are going in opposite directions, with the Lions beginning to point fingers and whisper criticisms behind each others' backs. Quarterback Andre Ware should get playing time with the Lions. Expect Cleveland to play a ball-control game on offense and allow the Lions to hang themselves with mistakes. Browns by 3 1/2.

COLTS (6-7) at JETS (4-9)
 Key stat: Colts have 55 rushing first downs and have allowed 105; Jets quarterback Brian Nagle has completed only 49.4 percent of his passes. Comment: Indianapolis won the first meeting by 6-3 in a woefully-played game to Week 6. Both teams have beaten Buffalo in consecutive weeks and should produce all-around better performances in their second matchup. The Jets aren't a solid running team but have a clear edge over the Colts in that area. Jets by 3 1/2.

PATRIOTS (2-11) at CHIEFS (8-5)
 Key stat: Patriots have allowed 61 sacks for 424 lost yards and have earned only 15 sacks worth 99 yards. Comment: The Chiefs rushed for only 17 yards in their loss to the Raiders and that simply won't do for a team built around a rushing offense. Much like New Orleans, Kansas City is in big trouble when it can't run the ball. This isn't a problem, though, against New England. Chiefs by 16 1/2.

STEELERS (10-3) at BEARS (4-9)
 Key stat: Steelers have not allowed more than 14 points in any of their last four games. All victories; Bears are 5-10 in December games over the last four seasons. Comment: Jim Harbaugh returns at quarterback and says he won't accept another weekly check (more than \$70,000) until Chicago snaps its six-game

RAIDERS (6-7) at DOLPHINS (8-5)
 Key stat: Raiders have a three-game losing streak in Monday night games; Dolphins have averaged fewer than 12 points per game in their last three. Comment: The Miami offense opened the season with five but now only smoke remains. What has happened to a team once potent on offense but weak on defense that has done a near turnaround? Inconsistency in line play is a factor and not enough aggressiveness by the Miami receivers going after the ball and holding on to it have been, in part, the culprits. Dolphins by 6 1/2.

These NFL matchups were written by Thomas George of The New York Times. Odds were provided by Harrah's of Las Vegas.

A Break in NFL Stalemate?

The Associated Press
NEW YORK—More than 10 years since their last pact, the National Football League and its players are on the verge of a contract agreement featuring a form of unrestricted free agency.

The last collective bargaining agreement expired in 1987 and the players struck during the season. The strike did not work, the NFL Players Association dropped its claim to representing the players and a bitter five-year labor stalemate followed.

That impasse could end any day, according to Jim Quinn, attorney for the players.

"We have consensus on the major issues as best I can tell," Quinn said Thursday. "The parties have moved closer than ever before to breaking the stalemate."

Those issues have been identified as free agency, a salary cap and the college draft.

After an eight-hour meeting on Wednesday, both sides said some issues needed to be finalized. But the player agent Leigh Steinberg said the basic structure of a settlement fell into place and would give players free agency after five years.

losing streak. That's enough incentive for Harbaugh but what about the rest of the Bears? Steelers by 3 1/2.

49ERS (11-2) at VIKINGS (9-4)
 Key stat: 49ers are 6-1 in road games and 4-0 on artificial turf; Vikings have only two victories over teams with winning records. Comment: No, said Vikings Coach Dennis Green, he is not concerned that his team is 2-3 vs. teams with a winning record, with the wins over Green Bay and Cleveland. But yes, Green should be concerned with his defense doing a better job of containing Steve Young than it did Randall Cunningham. 49ers by 5.

BENGALS (4-9) at CHARGERS (8-5)
 Key stat: Bengals have forced 31 fumbles, but have recovered only 16; Chargers allow only 86.4 rushing yards per game. Comment: San Diego has won four straight and seven of eight. After this one, it plays at the Raiders and at Seattle. It can and should make the playoffs after an 0-4 start and can overpower the Bengals with muscle and by pressuring rookie quarterback David Klingler. Chargers by 14.

SAINTS (10-3) at RAMS (5-9)
 Key stat: Saints beat the Rams 13-10 in Week 6; Rams Jim Everett has 19 touchdown passes and 11 interceptions. Comment: Saints fans were booing the offense and the Saints offensive coordinator, Carl Smith, after their 22-14 win over Atlanta. The Saints wonder why. They have won 10 games. The problem is a boring and underachieving offense clamped by Smith's bot-and-cold play-calling and the Saints' overall low-risk scheme on offense that plays not to lose. The Saints fans know this does not bode well for the playoffs no matter how dominating their defense is. But against the Rams, it works just fine. Saints by 5 1/2.

EAGLES (8-5) at SEAHAWKS (2-11)
 Key stat: Eagles have lost five of their last six road games; Seahawks have not scored 18 or more points in any game this season. Comment: Randall Cunningham's running has been the missing element in the Eagles offense. It is the key ingredient necessary to negate the loss of tight end Keith Jackson to Miami and to keep the other Eagles offensive weapons open and clicking. Eagles by 9 1/2.

PACKERS (7-6) at OILERS (8-5)
 Key stat: Packers quarterback Brett Favre has been intercepted eight times in 363 attempts; Oilers have scored 20 or more points in only one of their last four games. Comment: Oilers offensive coordinator Kevin Gilbride is out for three to six weeks due to surgery on a cancerous kidney. He is one of the NFL's best play-callers and he will be sorely missed. Injured quarterback Warren Moon will assist in play-calling for Cody Carlson and the Oilers offense. Oilers by 7.

RAIDERS (6-7) at DOLPHINS (8-5)
 Key stat: Raiders have a three-game losing streak in Monday night games; Dolphins have averaged fewer than 12 points per game in their last three. Comment: The Miami offense opened the season with five but now only smoke remains. What has happened to a team once potent on offense but weak on defense that has done a near turnaround? Inconsistency in line play is a factor and not enough aggressiveness by the Miami receivers going after the ball and holding on to it have been, in part, the culprits. Dolphins by 6 1/2.



FIRST DOWNHILL VICTOR — Switzerland's William Besse heading toward victory and a course record of 1:59.49 minutes Friday in the season's first downhill, in Val Gardena, Italy.

Yankees Sign Key And Mets Reach Deal With Tanana

The Associated Press
LOUISVILLE, Kentucky — Three teams came up with some pitching help before leaving baseball's winter meetings.

The meetings were over Thursday, but the dealing was not done. Detroit got reliever Tom Bortofo for one season at \$400,000, the New York Mets signed veteran left-hander Frank Tanana for one season for \$1.5 million and the New York Yankees got Jimmy Key for four years at \$17 million.

Key, 31, was 13-13 for the World Series champion Toronto Blue Jays last season. In nine years with the Blue Jays, he was 116-81.

The Yankees came to the winter meetings hoping to sign Barry Bonds, Greg Maddux and David Cone. But General Manager Gene Michael was frustrated each time.

The Blue Jays originally wanted to keep Key, but withdrew their offer at the meetings. Texas was also interested in Key, but the Yankees had been considered the front-runners since last week.

Tanana, 39, was 13-11 with a 4.39 earned run average for the Detroit Tigers last season. He started his career with the California Angels in 1973 and has a lifetime record of 233-219.

"We set out to try and find a fifth starting pitcher for several months, someone who could give us 175 innings and wins," said the Mets general manager, Al Harazin. "He has averaged more than 200 innings over the last 11 years."

Tanana was signed as a free agent by Texas before the start of the 1982 season and traded to Detroit in 1985.

Tanana joins Dwight Gooden, Bret Saberhagen, Sid Fernandez and Pete Schourek in the Mets' starting rotation.

"I am delighted to be part of the New York family," Tanana said. "I'm excited to be part of a new league and a new park. Generally speaking, a pitcher has an advantage with a new league."

Bolton was 1-2 with a 3.41 ERA in 21 games for the Boston Red Sox in 1992 and 3-3 with 5.24 ERA in 16 games for the Cincinnati Reds, who released him after the season. He is 24-26 in six seasons with a 4.54 ERA and one save, which came for the Red Sox in 1989.

Harsh Talk For Owners In Congress

By Claire Smith

WASHINGTON — One day after Bud Selig said major league baseball was running more smoothly than it is generally given credit for, baseball's top executive and five of his fellow club owners listened to a host of U.S. congressmen strongly disagree.

Instead of hearing endorsements of the game's recent actions, baseball owners, here to attend the Senate's antitrust subcommittee hearing on professional baseball's antitrust exemption, were systematically taken to task on Thursday.

At issue was their apparent dilution of the commissioner's power, their seemingly arbitrary approval or veto of franchise moves and their hiring policies involving minorities.

Senator Howard M. Metzenbaum, Democrat of Ohio, chairman of the subcommittee, agreed that the game was still just that — a game. But he said, it is also a business, "at times cutthroat."

Then, issuing the general challenge of the day, Metzenbaum said, "If this antitrust exemption does provide some benefit to the fans and the game, the owners are going to have to prove it."

Senator Patrick J. Leahy, Democrat of Vermont, citing reports of racist and anti-Semitic comments by the Reds' owner, Marge Schott, the ouster of Fay Vincent as commissioner, and the possibility of a second lockout in three years, picked up the theme.

"Owners have a broader responsibility than treating baseball like an exclusive Rottentier league," he said.

Selig took exception to the notion that baseball intends to weaken the commissioner's office in light of its forcing Vincent to resign.

SIDELINES

Stich Gains Grand Slam Cup Semis

MUNICH (AP) — Michael Stich reached the semifinals of the Grand Slam Cup on Friday, defeating Richard Krajicek, 7-6 (7-4), 7-5.

Stich, the 1991 Wimbledon champion, who has had a disappointing season and who has fallen from No. 4 to No. 15 in the world, used the few opportunities he was given by the Dutchman, who was seeded eighth. In a match between two big servers, there were few rallies that lasted more than three shots and few chances to break serve.

Stich joins Goran Ivanisevic and Michael Chang in the semifinals, 10 to the last quarterfinal, Pete Sampras was to play Henri Leconte later Friday.

Johnson Seeks AIDS Suit Dismissal

GRAND RAPIDS, Michigan (AP) — Magic Johnson's attorney says that holding the former basketball star responsible for allegedly infecting a woman with the AIDS virus before he knew that he carried it would set a precedent that "would wreak havoc on society."

A woman filed a \$2 million lawsuit against Johnson in October, claiming that he had infected her with HIV, the virus that causes AIDS. On Thursday, Howard Weitzman, Johnson's attorney, filed a motion in U.S. District Court in Kalamazoo, asking the judge to dismiss the suit.

"What they're asking, basically, is that a court create a new form of liability that requires individuals to provide all kinds of bizarre and detailed information about their past to their future sexual partners," Weitzman said. Johnson has acknowledged having had sex with the woman once, in June 1990. The lawsuit says she asked him to use a condom, but he refused.

Stallings Gets Bryant Coaching Prize

HOUSTON (AP) — Gene Stallings, the University of Alabama football coach, was named winner of the 1992 Bear Bryant Award as the national college football coach of the year, presented by the Football Writers Association of America.

Johnny Majors Returns to Coach Pitt

PITTSBURGH (AP) — Johnny Majors returned to coach football at the University of Pittsburgh on Friday, nearly 20 years to the day after he was asked to rebuild a moribund Pitt football program under nearly the same circumstances.

"Twenty years ago, Johnny Majors was the perfect choice to become the head coach at the University of Pittsburgh," said Pitt's athletic director, Oval Jaynes. "Today, he is again the perfect choice."

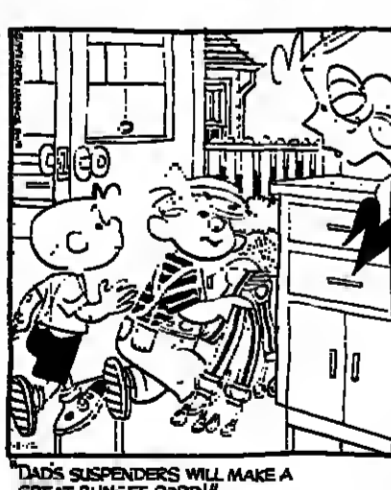
Majors, 57, who coached Pitt to three bowl game appearances and a national championship from 1973 to 1976, recently was forced out after 16 years as Tennessee's coach. Majors was 34-9-2 in his last four seasons at Tennessee, his alma mater. The rebuilding job Majors faces at Pitt will be nearly as challenging as the one he started in 1973, the year after the Panthers went 1-10. He went 6-5-1 and led them to a bowl the following season after bringing in 80 freshman recruits — including soon-to-be Heisman Trophy winner Tony Dorsett. Pitt was 3-9 this season.

For the Record

Dennis Bergkamp, the leading Dutch soccer scorer, has pulled out of the Dutch team that will face Turkey in a World Cup qualifier in Istanbul on Wednesday because of a leg injury. (Reuters)

Katsuya Ozawa of Japan won a unanimous decision over Armando Castro of Mexico, the challenger, to retain the WBA light-bantamweight title on Friday in Tokyo. (AFP)

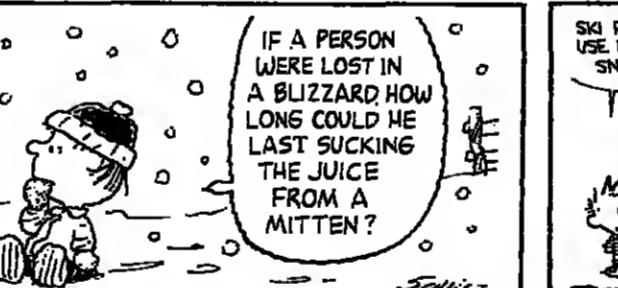
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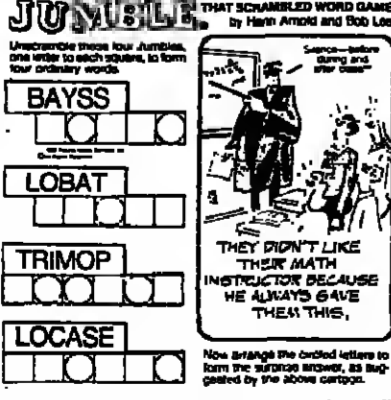
PEANUTS



CALVIN AND HOBBES



JUNIEBEE



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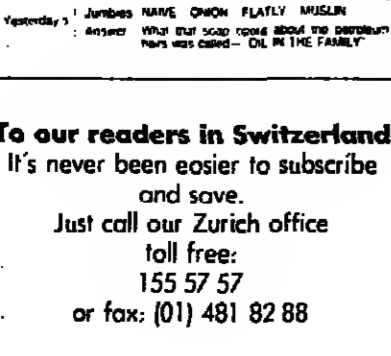
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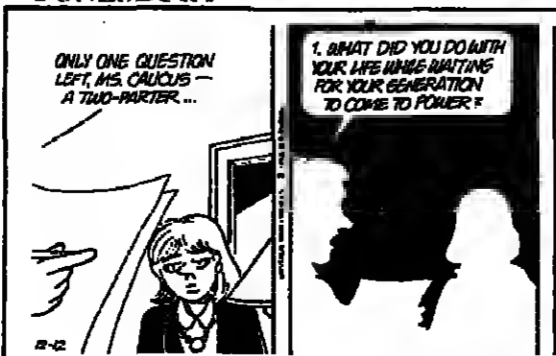
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DAVE BARRY

Language Quiz

M IAMI — It's time once again for "Ask Mister Language Person," the only language column that is endorsed by both the American Association of English Professors AND Cher. This column presents answers to common reader questions about grammar, vocabulary, punctuation and, when they are in season, metaphors. These questions are not "made up." They are authentic re-enactments of actual questions taken from police files.

So-and-so is "the most underrated left tackle in football," and So-and-so is "the most underrated substitute left outside nickel-defense cornerback in the Central Division." My question is, who underrates these people?

A. This is done by computers. Q. My question concerns the musical group Archie Bell and the Drells, who performed the 1968 hit "Do the Tighten Up." When group members get asked what they do for a living, do they answer, "I'm a Drell"? Do their business cards say:

JOHN SMITH Drell

Do they have career aspirations? Do they say, "Well, sure, TODAY I'm a Drell, but if I do well on my exams, I hope to become a Pip, or even a Famous Flame?" Also, if you're introducing somebody to one of the Four Seasons, do you just say, "This is Leonard; he's a Season?" Also, whatever happened to the Swinging Medallions, who sang the 1966 hit "Double Shot of My Baby's Love"?

A. They are available. Give them a call.

Q. What is the purpose of the semicolon? A. It can be used to either (1) separate two independent clauses, or (2) indicate an insect attack.

EXAMPLES: (1) "Well, I'm a clause that certainly can't need any help!" "Me either!" (2) "Be careful not to bump into that AIEEEEEEE!"

Q. Please explain correct usage of the expression "by and large." A. It is used as follows: "Earline, I swear on my mother's grave that I over, ever cheated on you, by and large."

TIP FOR PROFESSIONAL WRITERS: In writing a novel, be sure to include Character Development.

WRONG: "Brad gazed into Marsha's eyes." RIGHT: "Brad gazed into Marsha's eyes and noticed that she owed him three of them."

GOT A QUESTION FOR MISTER LANGUAGE PERSON? It is best not to tell anyone.

Q. I notice that football announcers are always talking about how

50 Years on Stage, and No Looking Back

By David Stevens International Herald Tribune

PARIS — Fifty years and a few days ago, a 20-year-old soprano, a daughter of Russian immigrants and fresh out of New York's Hunter College, made a startling operatic debut as Verdi's daunting Lady Macbeth.

Two or three careers later, Regina Resnik is celebrating that half-century anniversary in various ways, but without looking back and without having left the stage. Earlier this year, she played and sang the acerbic Madame Armfeldt in the New York City Opera's production of Stephen Sondheim's "A Little Night Music."

On the surface, that 1942 "Macbeth" debut might have seemed rash, but its auspices argue otherwise. The New Opera Company was a short-lived experiment that had as its music director Fritz Busch, who had made operatic history both in Dresden, from which he had been chased by the Nazis, and in the early years of the Gynedebourne Festival, suspended by the war. In short, Busch was a man likely to recognize solid vocal training and a natural theatrical temperament when he found them.

"Great things began to happen to American singers at about this time," Resnik recalled during a Paris stopover en route from home to Venice to home in New York. "We were all beginning to come forward."

She was referring to an era that lasted until well into the 1950s. The war kept many European singers from traveling or developing normally, while making refugees of some of the most distinguished and experienced conductors, musical coaches and stage directors.

"All of us were prepared by the greatest conductors and stage directors," she recalled. "I was nurtured by people who taught me style. During the first three years — for \$86 to \$150 a week — I sang a dozen roles in every repertoire."

"Of course, I must have had a strong throat," she conceded. Her second job after Lady Macbeth took her to Mexico City for Leonora in "Fidelio" and Micaela in "Carmen," conducted by another giant — Erich Kleiber.

After a season at the newly created New York City Opera, she was called a Metropolitan Opera contract in its Auditions of the Air. A few days before her official debut, Zinka Milanov called in sick, and Resnik was thrown in as Leonora in "Il Trovatore," on Dec. 6, 1944, followed by a few years of intense activity in the soprano repertoire.

There had already been a few hints that maybe she was not really a soprano. She had taken a Carmen on the road in 1945, and in 1952 at the Met sang the mezzo-soprano role of Princess Eboli in Verdi's "Don Carlo."

Then, in 1953, she joined an American contingent at the Wagner Festival in Bayreuth — among the others on hand that year were the bass-baritone George London, the tenor Ramon Vinay, the soprano Eleanor Steber — mainly to sing Sieglinde in "Die Walkure." Clemens Krauss was conducting the "Ring" that year, and Krauss told Wieland Wagner that I was modest. He suspected I was really a mezzo-soprano. (In today's wildly open CD market, a complete recording of this 1953 "Ring" has more than held its own against heavy competition.)

Buffeted by Krauss's opinion on one side and the contrary advice of her original teacher, Rosalie Miller, Resnik went to Giuseppe Danise, a friend and a great baritone of the between-the-wars era, who listened and told her, "Child, you never were a soprano."

In 1955, she opted out of her existing soprano contracts — out endorsing herself to Rudolf Bing, the Met's au-



Regina Resnik with George London in Bayreuth in 1953, and in "A Little Night Music."

thoritarian manager, in the process — and began to work with Danise on her voice and the mezzo repertory.

"And what came out was the real voice, the wine at the bottom of the barrel," she says.

She considers that her real career as a mezzo began at the Met as Marina in "Boris Godunov" under Dimitri Mitropoulos in 1956, but expanded horizons were called for, and in the following year she made her debut at London's Covent Garden with a memorable "Carmen" with Jon Vickers as José and Joan Sutherland as Micaela, and began a long association with the Vienna State Opera.

Resnik is not one of those singers remembered as a "great voice," although the voice was certainly there. As one denizen of the music scene said, she is one person who can be called "an intelligent singer" without the phrase being an oxymoron. Harold Rosenthal, writing in the Grove Dictionary of Music and Musicians, refers to "acting full of subtle detail and her fine musicianship and keen intelligence."

In 1971, Rolf Liebermann, then director of the Hamburg State Opera, engaged her to stage "Carmen." As designer she had Arth Blasis, a Lithuanian-born painter and sculptor who had been doing portraits of her in her best-known roles. They became a production team (and a few years later married), specializing in the operas of her key roles — Verdi's "Falstaff" (Mistress Quickly), Strauss's "Elektra" (Klytemnestra) and "Salome" (Herodias), Tchaikovsky's "Queen of Spades" (the Countess),

and a double bill of Menotti's "The Consul" and Waltoo's "The Bear." In the mid-70s, she began dropping roles she thought she ought not to sing anymore "so no critic could say it was time to retire."

By 1983, she thought it was time to chuck the opera stage, but continued to give recitals. Then in 1987, she took on the role of the landlady, Mrs. Schneider, in a Broadway revival of "Cabaret," 600 performances at the rate of eight a week, winning a Tony nomination.

Although Lotte Lenya ("Cabaret") and Hermione Gingold ("Night Music") had done the roles in the original productions in a kind of Rex Harrison Sprechgesang, she sang them. Both the composers, John Kander and Sondheim, wanted that, she thinks.

"After all, they wrote the notes. Of course they wanted to hear them," she says.

Now she would not mind having a go at spoken theater. She thinks Wilde's Lady Bracknell would not be out of order, or Dürrenmatt's vengeful old lady of "The Visit," whom she has portrayed in its operatic version.

Meanwhile, there is teaching, notably in the Metropolitan's program for young artists and in her association with the Toti dal Monte competition in Treviso, Italy, for which the prize is being cast in a professional production.

She does worry that young singers today "think they are through if they have not made it by 25; I was taught that if the technique was good at 45, it would last to 65."

PEOPLE

Maybe, Maybe: Beatles Singing in a TV Film?

You could call this song "You wanna hold your breath?" Maybe, but just maybe, the three surviving Beatles might be singing together again: Paul McCartney said that he, Ringo Starr and George Harrison would work together as part of a television documentary and "there is a chance that we might do a little bit of music." It would be the first musical collaboration since the group broke up in 1970. The fourth Beatle, John Lennon, was murdered in 1980.

The Dallas Symphony Association has signed a three-year contract with Andrew Litton, 33, of the Bournemouth Symphony in Britain, ending a two-year search to find a successor for conductor Edsardo Mata.

He may be known for the song "No More Mr. Nice Guy," but the rocker Alice Cooper turned over a check for more than \$13,000 he raised to save a California man's psychedelically-painted house from bank foreclosure. "You can't help everybody who's in trouble, but maybe this'll spark something," he said. Patrick Kelly, an unemployed real-estate salesman, painted the house last month with the ghoulish rocker's likeness and other psychedelic images when he couldn't sell the \$258,000 property, and that did not help either.

Starting at the top: Richard Avedon has become The New Yorker magazine's first staff photographer. Avedon, 69, will produce 50 black-and-white full-page photographs for The New Yorker in the next year and will not take assignments from other magazines, Tim Brown, the new editor, said. "He can do anything he wants — one great image or a series of images together," she said.

LaToya Jackson was fired from her starring role in a show at the Sands Hotel in Las Vegas six nights after she joined the glittery production. She is suing for \$2.3 million.

INTERNATIONAL CLASSIFIED

Appears on Pages 7 & 9

WEATHER

Weather forecast section including maps of Europe, North America, and Asia, with temperature and precipitation data for various regions.

World Market By Michael Priestley

World Market section featuring a crossword puzzle grid and a list of international news items and market updates.

BOOKS

DAME EDNA EVERAGE AND THE RISE OF WESTERN CIVILISATION: Backstage with Barry Humphries. By John Lahr. 342 pages. \$22. Farrar Straus Giroux. Reviewed by David Marr. DAME Edna Everage has you in her sights. Things may turn ugly over the next few years as the Australian megastar — once a rather shy Melbourne housewife, now a celebrity on the London stage — begins her assault on America. "I don't believe it!" murmured an appalled Gloria Swanson 15 years ago. She spoke for America. Now the stars are coming out to be humiliated by Edna on television.

English-speaking world (so far) does just that. Something has been lost along the way. Others of Humphries's characters still show that wonderful capacity to find poetry in the ordinary that Edna once had. She has coaxed, in less a satirist of great subtlety and more the averaging clown. In London we hear lines we heard in Sydney 20 years ago; and she and her creator have lived long enough away from home for their Australia to be, for more and more, a raw confabulation. Whether Edna will conquer America is a question John Lahr leaves open. His book is a civilized, quietly rambling and intelligent argument for giving the Dame a go. David Marr, the author of "Patrick White: A Life," wrote this for The Washington Post.

Large advertisement for AT&T USADirect Service, featuring a clock image and the slogan "Now good news can travel even faster." Includes a table of international access numbers for various countries.